

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**of the**

**Soaring Heights Charter School  
Jersey City, New Jersey**

**For the Fiscal Year Ended June 30, 2013**

**Prepared by**

**Soaring Heights Charter School  
Finance Department**

**BOARD OF EDUCATION**  
**SOARING HEIGHTS CHARTER SCHOOL**

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## **INTRODUCTORY SECTION**

November 8, 2013

Honorable Members of the Board of Trustees  
Soaring Heights Charter School  
Jersey City, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Soaring Heights Charter School for the fiscal year ended June 30, 2013 is hereby submitted. To the best of our knowledge the data presented in this report is accurate in all material respects and is reported in the manner to present fairly the financial position and results of operation of the various funds and account groups of the Charter School.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the Charter School's organizational chart and a list of principal officials. The financial section includes the basic financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The Charter School is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments and Non-profit Organizations", and the State Treasury Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments". Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

#### **1) Reporting Entity and Its Services**

The Soaring Heights Charter School is an independent reporting agency formed by the Founding Members of the Board of Trustees within the criteria adopted by the GASB, Statement No. 14. The Charter School located in the County of Hudson, constitutes the reporting entity.

The Charter School provides a full range of educational services appropriate to grade levels K through 8. These include regular and special education for handicapped youngsters. The Charter School completed the 2012-2013 fiscal year with an enrollment of 221 students.

#### **2) Economic Condition and Outlook**

The Charter School will continue to experience full enrollment the student population, due to the waiting list, which is over 500 applicants.

The increase in grades served will continue steadily as per the school's charter. The Charter School continues to operate well in the new location, in a facility specifically designed by the Charter School. The Charter School has successfully been approved by the Commissioner of Education to renew its charter to enroll 250 students until the renewal of its charter in 2016. The Charter School is currently reviewing options to expand the facility at 1 Romar Avenue to accommodate the projected increase.

### **3) Major Initiatives**

Since opening in 1997, the Charter School has continued to encourage high achievement for disadvantaged students through its after-school and Saturday tutoring programs. Special education students are fully included in the general education curriculum. This is achieved through in class support or within a self contained class as indicated in each child's individual education plan.

### **4) Internal Accounting Controls**

The Administration of the Charter School is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Charter School are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and 2) the valuation of costs and benefits requires estimates and judgments by the Administration.

As a recipient of federal and state financial assistance, the Charter School is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the Charter School Administration.

As part of the Charter School's single audit described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal and state financial assistance programs, as well as to determine that the Charter School has complied with applicable laws and regulations.

### **5) Budgetary Controls**

In addition to internal accounting controls, the Charter School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2013.

#### **6) Accounting System and Reports**

The Charter School's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The District accounting system is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements", Note 1.

#### **7) Debt Administration**

As of June 2013, the Charter School had no outstanding debt issues.

#### **8) Cash Management**

The investment policy of the Charter School is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 2. The Charter School has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

#### **9) Risk Management**

The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/ collision, hazard and theft insurance on property and contents, and fidelity bonds.

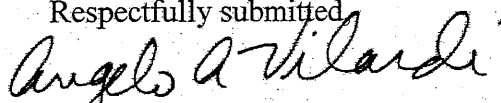
#### **10) Other Information**

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of VM Associates, P.A., was selected. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of Single Audit Act Amendments of 1996 and the related OMB Circular A-133 and State Treasury Circular Letter 04-04 OMB. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

#### **11) Acknowledgment**

We would like to express our appreciation to the members of the Soaring Heights Charter School Board of Trustees for their commitment in providing fiscal accountability to the citizens and taxpayers of Jersey City and thereby contributing their full support to the development and maintenance of our financial operation.

Respectfully submitted,



Angelo A. Vilardi  
Business Administrator

## Soaring Heights Charter School Board of Trustees

<u>Name Of Member</u>	<u>Position</u>	<u>Term</u>
Lisa McConagly	President	2013
Mary Golden	Vice President	2014
Jane Mercante	Secretary	2016
Irene Guirguis-Roberts	Trustee	2016
Pat Bennet	Trustee	2016
Brenda Simpson Turner	Trustee	2014
Cheryll Ignacio	Trustee	2015

## Soaring Heights Charter School Consultants and Advisors

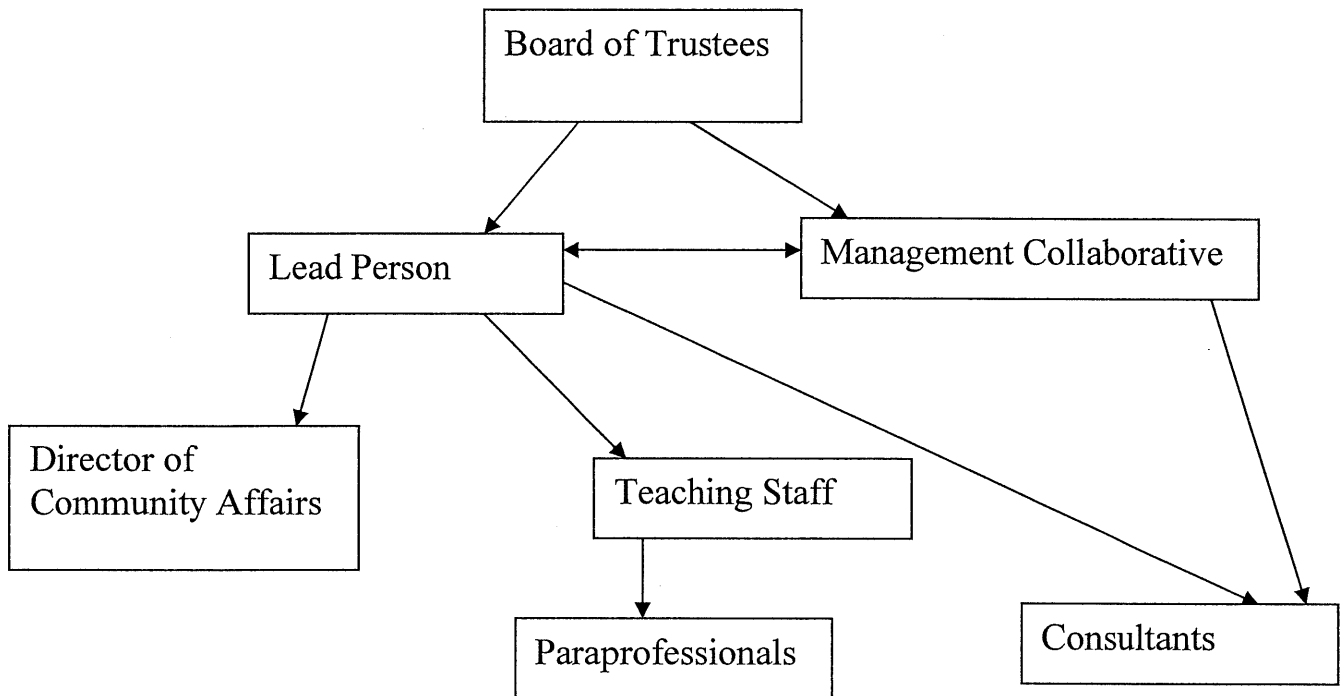
AUDIT FIRM  
Vincent Montanino  
VM Associates  
Mt. Arlington, New Jersey

ATTORNEY  
Paul Green  
Schenck, Price, Smith & King, LLP  
PO Box 991  
Florham Park, NJ 07932

SBA CONSULTANT  
Angelo A. Vilardi  
Morris Plains, New Jersey

OFFICIAL DEPOSITORY  
Bank of America  
Jersey City, New Jersey

## Soaring Heights Charter School Organizational Chart



## **FINANCIAL SECTION**

## **INDEPENDENT AUDITOR'S REPORT**



# VM ASSOCIATES, INC.

Vincent M. Montanino, RMA, PSA  
Michael S. Zambito, CPA, RMA  
Antonia Russo, Associate

## INDEPENDENT AUDITOR'S REPORT

The Honorable President and  
Members of the Board of Trustees  
Soaring Heights Charter School  
County of Hudson, New Jersey

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Soaring Heights Charter School as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Office of School Finance, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinions.

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### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Soaring Heights Charter School as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information on Schedules C-1 and C-2 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Soaring Heights Charter School's basic financial statements. The accompanying supplementary information such as the combining and individual fund financial statements and Schedules of Expenditures of Federal Awards and State Financial Assistance, as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and New Jersey OMB's Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, and other information such as the introductory section and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

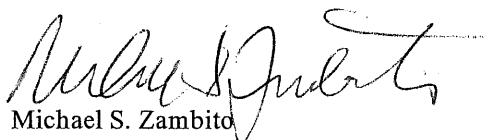
The combining and individual fund financial statements and Schedules of Expenditures of Federal Awards and State Financial Assistance are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and Schedules of Expenditures of Federal Awards and State Financial Assistance are fairly stated, in all material aspects, in relation to the basic financial statements as a whole. The introductory section and statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards and the Division of Finance,  
Department of Education, State of New Jersey**

In accordance with Government Auditing Standards and the Division of Finance, Department of Education, State of New Jersey, we have also issued our report dated November 13, 2013 on our consideration of the Soaring Heights Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and the Division of Finance, Department of Education, State of New Jersey in considering Soaring Heights Charter School's internal control over financial reporting and analysis.



Vincent M. Montanino  
Public School Accountant  
License No. CS000495



Michael S. Zambito  
Certified Public Accountant  
License No. 20CC00789500

November 13, 2013

**REQUIRED SUPPLEMENTARY INFORMATION -  
PART I**

**SOARING HEIGHTS CHARTER SCHOOL**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2013**  
**(UNAUDITED)**

The discussion and analysis of the Soaring Heights Charter School's (the "Charter School") financial performance provides an overall review of the Charter School's financial activities for the fiscal year ended June 30, 2013. Please read it in conjunction with the transmittal letter at the front of this report and the Charter School's financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is an element of Required and Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments."

**Financial Highlights**

- The assets of the Soaring Heights Charter School exceeded its liabilities at the close of the most recent fiscal year by \$3,007,355.65 (net position). Of this amount, \$430,865.95 was unrestricted and may be used to meet the ongoing obligations of its citizens and creditors.
- The Charter School's total net position increased \$61,828.48. The increase is attributable to current year operations exceeding depreciation and program expenses.
- General revenues accounted for \$2,497,995.67 in revenue or 84.4 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions accounted for \$460,636.05 or 15.6 percent of total revenues of \$2,958,631.72.
- The Charter School had \$2,896,803.4 in expenses related to governmental activities; only \$460,636.05 were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$2,497,995.67 were adequate to provide for these programs.
- Among governmental funds, the General Fund had \$2,766,460.86 in revenues and \$2,660,433.09 in expenditures. The General Fund's fund balance increased \$106,027.77 from the June 30, 2012 fund balance.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes to those statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Charter School as a whole and present a longer-term view on the Charter School's finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Charter School's operation in more detail than the government-wide statements by providing information about the Charter School's most financially significant funds.

### Government-Wide Financial Statements

#### The Statement of Net Position and the Statement of Activities

One of the most important questions asked about the Charter School's finances is "Is the Charter School as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Charter School as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Charter School's *net position* and changes in them. You can think of the Charter School's net position, the difference between assets and liabilities, as one way to measure the Charter School's financial health, or *financial position*. Over time, *increases* or *decreases* in the Charter School's net position are one indicator whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Charter School's enrollment, funding sources and the condition of the Charter School's capital assets to assess the overall *health* of the Charter School.

In the Statement of Net Position and the Statement of Activities, we divide the Charter School into two kinds of activities:

- **Governmental Activities:** Most of the Charter School's basic programs and services are reported here, including general administration. Payments from the Jersey City Public School District taxes and state and federal aid finance most of these activities.
- **Business-Type Activities:** The Charter School has no proprietary funds.

## **Reporting the Charter School's Most Significant Funds**

### **Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds-not the Charter School as a whole. Some funds are required to be established by State law. The Charter School's two kinds of funds, governmental and proprietary, use different accounting approaches.

*Governmental funds:* most of the Charter School's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed *short-term view* of the Charter School's general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources than can be spent in the near future to finance the Charter School's programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

*Proprietary funds:* when the Charter School charges customers for the full cost of the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Charter School's enterprise funds (a component of business type funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

### **The Charter School as Trustee**

#### **Reporting the Charter School's Fiduciary Responsibilities**

The Charter School is the trustee, or *fiduciary*, for the Agency Funds. All of the Charter School's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. We exclude these activities from the Charter School's other financial statements because the Charter School cannot use these assets to finance its operations. The Charter School is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**Notes to the Basic Financial Statements:** The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information:** The combining statements referred to earlier in connection with governmental funds and enterprise funds are presented immediately following the notes to the basic financial statements.

Figure A-1 summarizes the major features of the Charter School's financial statements, including the portion of the Charter School's government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Major Features of Soaring Heights Charter School's  
Government-Wide and Fund Financial Statements  
(Figure A-1)**

Scope	Government wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
	Entire Charter School (except fiduciary funds)	The activities of the Charter School that are not proprietary or fiduciary, such as food service and student activities	Activities the Charter School operates similar to private businesses; N/A	Instances in which the Charter School is the trustee or agent for someone else's resources, such as payroll agency and student activities.
Required financial statements	Statement of net position  Statement of activities	Balance sheet  Statement of revenues, expenditures, and changes in fund balance	Statement of net position  Statement of revenues, expenses, and changes in net position  Statement of cash flows	Statement of fiduciary net position  Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included.	All assets and liabilities, both financial and capital, and short-term and long-term.	All assets and liabilities, both short-term and long- term.
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses, regardless of when cash is received or paid.	All revenues and expenses during the year, regardless of when cash is received or paid.

## Financial Analysis of the Charter School as a Whole

The Charter School's *combined* net position changed from a year ago, *increasing* from \$2,945,529.17 to \$3,007,355.65. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Charter School's governmental and business-type activities as of June 30.

**Table 1**

### Net Position

	Governmental		Total	
	Activities		Primary Government	
	2013	2012	2013	2012
Current and Other Assets	\$ 868,027.09	\$ 755,893.18	\$ 868,027.09	\$ 755,893.18
Capital Assets	2,145,434.70	2,189,633.99	2,145,434.70	2,189,633.99
Total Assets	3,013,461.79	2,945,527.17	3,013,461.79	2,945,527.17
Other Liabilities	6,106.14	-	6,106.14	-
Total Liabilities	6,106.14	-	6,106.14	-
Net Position:				
Invested in Capital Assets, Net				
of Related Debt	2,145,434.70	2,189,633.99	2,145,434.70	2,189,633.99
Restricted	431,055.00	327,496.50	431,055.00	327,496.50
Unrestricted (deficit)	430,865.95	428,398.68	430,865.95	428,398.68
Total Net Position	\$ 3,007,355.65	\$ 2,945,529.17	\$ 3,007,355.65	\$ 2,945,529.17

- Net position of the Charter School's governmental activities increased by 2.1 percent.
- Unrestricted net position, the part of net position that can be used to finance day-to-day operation without constraints established by debt covenants, enabling legislation, or other legal requirements – increased by \$2,467.27.
- Restricted net position, those restricted mainly for encumbrances and reserves increased by \$103,558.50.
- Both net position categories benefitted from increased economic activity, which resulted in actual revenues exceeding budgeted revenues.
- The investment in capital assets, net of debt category decreased by \$44,199.29.

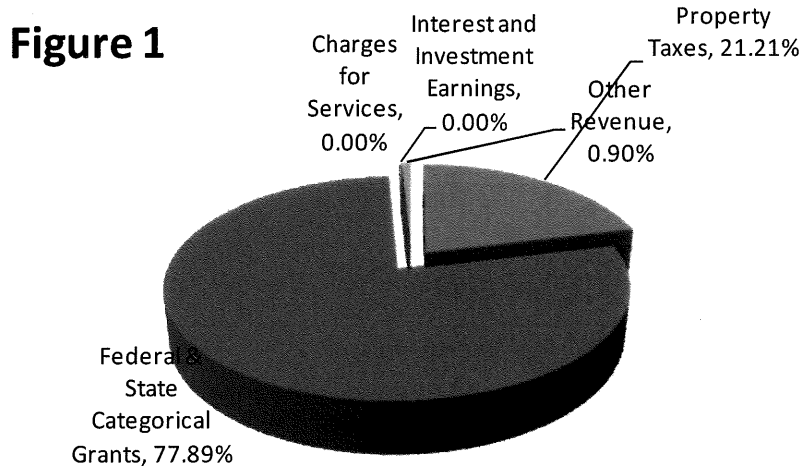
Table 2

## Changes in Net Position

	Governmental		Total	
	Activities		Primary Government	
	2013	2012	2013	2012
<b>Revenues</b>				
Program Revenues:				
Operating Grants and Contributions	\$ 460,636.05	\$ 426,240.95	\$ 460,636.05	\$ 426,240.95
General Revenues:				
Property Taxes	627,582.00	599,163.00	627,582.00	599,163.00
Federal and State Aid	1,843,899.00	1,805,808.00	1,843,899.00	1,805,808.00
Interest and Investment Earnings	16.63	5.66	16.63	5.66
Other General Revenues	26,498.04	67,632.88	26,498.04	67,632.88
Total Revenues:	2,958,631.72	2,898,850.49	2,958,631.72	2,898,850.49
<b>Program Expenses Including Indirect Expenses</b>				
Instruction:				
Regular	1,790,639.30	1,689,689.37	1,790,639.30	1,689,689.37
Special	25,000.00	26,700.00	25,000.00	26,700.00
Support Services:				
Student and Instruction Related Services	213,358.38	228,341.83	213,358.38	228,341.83
General and Business Administrative Services	417,424.79	393,531.49	417,424.79	393,531.49
Plant Operations and Maintenance	447,860.77	419,238.85	447,860.77	419,238.85
Pupil Transportation	2,520.00	970.00	2,520.00	970.00
Total Expenses	2,896,803.24	2,758,471.54	2,896,803.24	2,758,471.54
Increase in Net Position	61,828.48	140,378.95	61,828.48	140,378.95
Net Position-Beginning 7/1	2,945,527.17	2,805,148.22	2,945,527.17	2,805,148.22
Net Position-Ending 6/30	\$ 3,007,355.65	\$ 2,945,527.17	\$ 3,007,355.65	\$ 2,945,527.17

## Governmental Activities

*Revenue Sources.* The Charter School's total revenue for the 2012/2013 school year was \$2,958,631.72 (See Table 2). Local taxes accounted for \$627,582.00 of the total, or 21.21 percent (See Figure 1). State formula aid and categorical grants accounted for most of the Charter School's revenue accounting for 77.89 percent and the remainder was from other miscellaneous sources. The Soaring Heights Charter School primarily conducts its operations from the revenue it receives from the Jersey City Public School District .



The total cost of all programs and services was \$2,896,803.24. The Charter School's expenses are predominantly related to instructing, caring for (pupil and instruction services) (70.04 percent) (See Figure 2). The Charter School's administrative and maintenance activities accounted for 29.96 percent of total costs. It is important to note that depreciation of \$96,545.73 is included in expenses for the year.

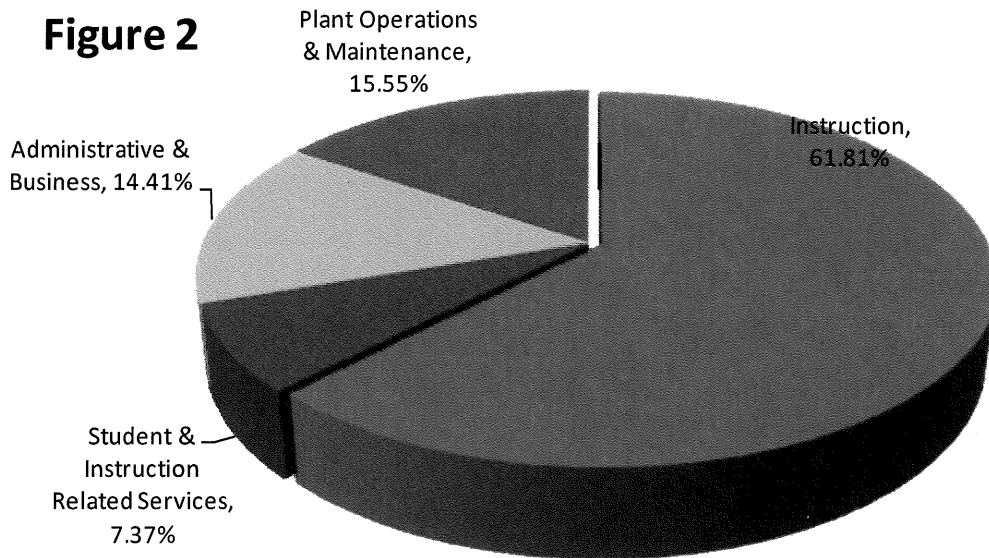


Table 3 presents the cost of the Charter School's major activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the Charter School's taxpayers by each of these functions:

**Table 3**  
**Net Cost of Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2012/2013	2011/2012	2012/2013	2011/2012
Instruction	\$ 1,815,639.30	\$ 1,716,389.37	\$ 1,374,829.85	\$ 1,307,847.77
Student and Instruction Services	213,358.38	228,341.83	193,531.78	210,642.48
Administrative and Business	417,424.79	393,531.49	417,424.79	393,531.49
Maintenance and Operations	447,860.77	419,238.85	447,860.77	419,238.85
Transportation	2,520.00	970.00	2,520.00	970.00
	<u>\$ 2,896,803.24</u>	<u>\$ 2,758,471.54</u>	<u>\$ 2,436,167.19</u>	<u>\$ 2,332,230.59</u>

- The cost of all governmental activities this year was \$2,896,803.24.
- The federal and state governments subsidized certain programs with grants and contributions.
- Most of the Charter School's costs, however, were financed by the monies it receives from the Jersey City School District based on the CEIFA formula.
- A portion of governmental activities was financed with state aid.
- The remainder of governmental activities funding came from local grants, investment earnings and miscellaneous revenue.

## THE CHARTER SCHOOL'S FUNDS

The Charter School uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**Governmental Funds:** The Charter School's governmental fund is comprised of the general fund and special revenue fund and is accounted for using the modified accrual basis of accounting.

The focus of the Charter School's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Charter School's financing requirements. The unrestricted fund balance is divided between assigned to and unassigned balances. The Charter School has assigned portions of the unrestricted fund balance to earmark resources for the payment of certain government-wide liabilities that are not recognized in the governmental funds.

**General Fund:** The general fund is the main operating fund of the Charter School. At the end of the current fiscal year, unassigned fund balance was \$430,865.95, while total fund balance was \$861,920.95.

As demonstrated by the various statements, the Charter School maintains a sound financial position. The information below compares revenues for 2012-2013 and 2011-2012.

**Table 4**

Revenues by Source:	2012-2013	2011-2012	% Change
Local Tax Levy	\$ 627,582.00	\$ 599,163.00	4.74%
Interest Earned to Investments	16.63	5.66	193.82%
Miscellaneous	26,498.04	67,632.88	-60.82%
Total - Local Sources	654,096.67	666,801.54	-1.91%
State Sources	2,134,668.36	2,052,635.95	4.00%
Federal Sources	169,866.69	179,413.00	-5.32%
Total Revenues	\$ 2,958,631.72	\$ 2,898,850.49	2.06%

The decrease in local sources is mainly attributable to a decrease in local project funds and miscellaneous income.

The increase of \$82,032.41 or 4% is a result of the State of New Jersey increasing the Equalization Aid and the TPAF on-behalf payments awarded to the Charter School.

The decrease of \$9,546.31 of Federal sources in 2012-2013 is primarily due to the Charter School receiving less NCLB aid and deferring a portion of its IDEA aid.

## THE CHARTER SCHOOL'S FUNDS (Continued)

### Governmental Activities (Continued)

The information below compares expenditures for 2012-2013 and 2011-2012:

**Table 5**

Expenditures by Function:	2012-2013	2011-2012	% Change
Current:			
Regular Instruction	\$ 1,402,357.28	\$ 1,324,955.96	5.84%
Special Education	25,000.00	26,700.00	-6.37%
Support Services and Undistributed Costs:			
Student and Instruction Related Services	166,902.17	184,620.28	-9.60%
General and Business Administrative Services	323,652.19	305,798.07	5.84%
Plant Operations and Maintenance	354,088.17	331,505.43	6.81%
Pupil Transportation	2,520.00	970.00	159.79%
Employee Benefits	525,737.70	489,020.77	7.51%
Capital Outlay	52,346.44	53,331.12	-1.85%
Total Expenditures	<u>\$ 2,852,603.95</u>	<u>\$ 2,716,901.63</u>	4.99%

The Pupil Transportation expenditure increased due to some additional field trips.

All other fluctuations are within the normal range of plus or minus 10% and therefore further explanation is not provided.

### Business-type activities

The Charter School does not have any major Enterprise Funds at this time, therefore the basic financial statements for the major funds are not included in this report. Because the focus on business-type funds is a cost of service measurement or capital maintenance, and since they do not apply to the Soaring Heights Charter School, we have not included these funds in Table 6, which typically in other public schools would demonstrate return on ending assets and return on ending net position.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

Table 7

#### Capital Assets at Year-End (Net of Depreciation)

	Governmental			
	Activities		Totals	
	2013	2012	2013	2012
Land Improvements	\$ 2,110,826.11	\$ 2,058,479.67	\$ 2,110,826.11	\$ 2,058,479.67
Buildings	628,032.21	628,032.21	628,032.21	628,032.21
Machinery and Equipment	100,132.75	100,132.75	100,132.75	100,132.75
Subtotal	2,838,991.07	2,786,644.63	2,838,991.07	2,786,644.63
Accumulated Depreciation	(693,556.37)	(597,010.64)	(693,556.37)	(597,010.64)
Totals	\$ 2,145,434.70	\$ 2,189,633.99	\$ 2,145,434.70	\$ 2,189,633.99

This year's major additions in the Governmental Activities included \$52,346.44 of land improvements for renovations to the parking area.

The 2013-2014 budget calls for capital outlay expenditures in the amount of \$65,000.00, which is needed for ongoing improvements to the Charter School's facilities.

More detailed information about the Charter School capital assets is presented in the notes to the basic financial statements.

### DEBT

Charter Schools are not permitted by law to incur debt. Bonds and capital leases for improvement are not permitted, nor are loans other than the first year of a Charter, usually from the Prudential Corporation. All years after the initial year must be fiscally resolved by the end of each year. Table 8 addresses these issues in public school districts, but is omitted in this report because it is not relevant or applicable.

An analysis of Charter School Debt is presented in the notes to the basic financial statements.

### BUDGETS

The Charter School's budget is prepared according to New Jersey Department of Education guidelines. The most significant budgetary fund is the General Fund. Revisions in the general fund budget were made through budget transfers to prevent over commitments in specific line item accounts. These transfers were made by a resolution of the Board of Education pursuant to N.J.S.A. 18A:22-8.1.

Described below are explanations for variations in expenditures for certain lines where the modified budgeted amounts differ from the original budget by significant amounts. All other fluctuations were considered immaterial and no explanations were deemed necessary.

### **Revenues**

There were no revenue fluctuations between the original and modified budgets.

### **Expenditures**

The modified budget for textbooks decreased by \$36,500.00 due to an increase in the use of computers and online text materials provided through contracts with the book publishers.

The modified budget for salaries of teachers increased by \$51,000.00 due to additional time for physical education and health services.

The modified budget for general administration - purchased technical services increased by \$60,125.00 due to the rolling over of prior year encumbrances.

Described below are explanations for variations in expenditures for certain lines where the modified budget amounts differ from the actual budget by significant amounts. All other fluctuations were considered immaterial and no explanations were deemed necessary.

### **FACTORS BEARING ON THE CHARTER SCHOOL'S FUTURE**

In preparing the 2013-2014 budget, the primary goal of the Board was to develop a budget that would meet the Charter School's educational priorities, provide accountability to the taxpaying community, and comply with the stringent restrictions placed on charter school budgets by the new legislation. This legislation put a "2% cap" on the local tax levy; therefore, limiting the amount of funds a Charter School can raise to support its budget. During the preparation of the 2013-2014 budget, the Charter School continued to utilize banked cap, and plans to continue to utilize it in the future. The Charter School generated banked cap from enrollment adjustments and health benefits adjustments.

Looking ahead to the development of the 2014-2015 budget, the new budget law put into effect by the State of New Jersey Department of Education will have a significant impact. The law goes beyond the capping of revenues for the budget but it also authorizes the Executive County Superintendent to look into the budget and challenge the Charter School in their expenditure decisions. The level of funding, which is currently being reviewed by the legislature, may impact future funding formulas which may diminish the resources available to charter school in general and Soaring Heights in particular.

### **CONTACTING THE CHARTER SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the Charter School's finances and to show the Charter School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the School Business Administrator, Angelo Vilardi, at the Soaring Heights Charter School, 1 Romar Avenue, Jersey City, New Jersey. Phone number: 201-400-5210.

## **BASIC FINANCIAL STATEMENTS**

**SECTION A**  
**DISTRICT – WIDE FINANCIAL STATEMENTS**

**BOARD OF EDUCATION  
SOARING HEIGHTS CHARTER SCHOOL  
Statement of Net Position  
June 30, 2013**

	<b>Governmental Activities</b>	<b>Total</b>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 838,567.81	\$ 838,567.81
Receivables, Net	29,459.28	29,459.28
Capital Assets, Net	<u>2,145,434.70</u>	<u>2,145,434.70</u>
Total Assets	<u>3,013,461.79</u>	<u>3,013,461.79</u>
<b>LIABILITIES</b>		
Deferred Revenue	<u>6,106.14</u>	<u>6,106.14</u>
Total Liabilities	<u>6,106.14</u>	<u>6,106.14</u>
<b>NET POSITION</b>		
Net Invested in Capital Assets	2,145,434.70	2,145,434.70
Assigned Fund Balance:		
Encumbrances	356,055.00	356,055.00
Mandated Reserve Fund	75,000.00	75,000.00
Unassigned/Unrestricted	<u>430,865.95</u>	<u>430,865.95</u>
Total Net Position	<u>\$ 3,007,355.65</u>	<u>\$ 3,007,355.65</u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

**BOARD OF EDUCATION  
SOARING HEIGHTS CHARTER SCHOOL**  
Statement of Activities  
For the Year Ended June 30, 2013

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 1,790,639.30	\$ -	\$ 237,919.23	\$ -	\$ (1,552,720.07)	\$ -	\$ (1,552,720.07)
Special Education	25,000.00		202,890.22		177,890.22		177,890.22
Support Services:							
Student and Instruction Related Services	213,358.38		19,826.60		(193,531.78)		(193,531.78)
General and Business Administrative Services	417,424.79				(417,424.79)		(417,424.79)
Plant Operations and Maintenance	447,860.77				(447,860.77)		(447,860.77)
Pupil Transportation	2,520.00		-		(2,520.00)		(2,520.00)
Total Governmental Activities	<u>2,896,803.24</u>	<u>-</u>	<u>460,636.05</u>	<u>-</u>	<u>(2,436,167.19)</u>	<u>-</u>	<u>(2,436,167.19)</u>
Total Primary Government	<u>\$ 2,896,803.24</u>	<u>\$ -</u>	<u>\$ 460,636.05</u>	<u>\$ -</u>	<u>\$ (2,436,167.19)</u>	<u>\$ -</u>	<u>\$ (2,436,167.19)</u>
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes					\$ 627,582.00	\$ -	\$ 627,582.00
Federal and State Aid Not Restricted					1,843,899.00		1,843,899.00
Investment Earnings					16.63		16.63
Miscellaneous Income					26,498.04	-	26,498.04
Total General Revenues					<u>2,497,995.67</u>	<u>-</u>	<u>2,497,995.67</u>
Change in Net Position					61,828.48	-	61,828.48
Net Position—Beginning					2,945,527.17	-	2,945,527.17
Net Position—Ending					<u>\$ 3,007,355.65</u>	<u>\$ -</u>	<u>\$ 3,007,355.65</u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

**SECTION B**  
**FUND FINANCIAL STATEMENTS**

## **GOVERNMENTAL FUNDS**

**BOARD OF EDUCATION  
SOARING HEIGHTS CHARTER SCHOOL  
Balance Sheet  
Governmental Funds  
June 30, 2013**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 845,277.67	\$ (6,709.86)	\$ 838,567.81
Receivables from Other Governments	16,643.28	12,816.00	29,459.28
Other	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 861,920.95</u>	<u>\$ 6,106.14</u>	<u>\$ 868,027.09</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Payable to Federal Government	\$ -	\$ -	\$ -
Deferred Revenue		<u>6,106.14</u>	<u>6,106.14</u>
Total Liabilities		<u>6,106.14</u>	<u>6,106.14</u>
Fund Balances:			
Assigned Fund Balance:			
Encumbrances	356,055.00		356,055.00
Mandated Reserve Account	75,000.00		75,000.00
Unassigned, Reported In:			
General Fund	<u>430,865.95</u>		<u>430,865.95</u>
Total Fund Balances	<u>861,920.95</u>	<u>-</u>	<u>861,920.95</u>
Total Liabilities and Fund Balances	<u>\$ 861,920.95</u>	<u>\$ 6,106.14</u>	

Amounts reported for *governmental activities* in the statement of net position (A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$2,838,991.07 and the accumulated depreciation is \$693,556.37.

2,145,434.70

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.

-  
\$ 3,007,355.65

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

**BOARD OF EDUCATION**  
**SOARING HEIGHTS CHARTER SCHOOL**  
**Statement of Revenues, Expenditures, And Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2013**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Local Sources:			
Local Tax Levy	\$ 627,582.00	\$ -	\$ 627,582.00
Interest Earned on Investments	16.63		16.63
Miscellaneous	4,193.87	22,304.17	26,498.04
Total - Local Sources	631,792.50	22,304.17	654,096.67
State Sources	2,134,668.36	-	2,134,668.36
Federal Sources	-	169,866.69	169,866.69
Total Revenues	<u>2,766,460.86</u>	<u>192,170.86</u>	<u>2,958,631.72</u>
<b>EXPENDITURES</b>			
Current:			
Regular Instruction	1,297,266.59	105,090.69	1,402,357.28
Special Education Instruction		25,000.00	25,000.00
Support Services and Undistributed Costs:			
Student and Instruction Related Services	118,198.00	48,704.17	166,902.17
General and Business Administrative Services	323,652.19		323,652.19
Plant Operations and Maintenance	354,088.17		354,088.17
Pupil Transportation	2,520.00		2,520.00
Unallocated Benefits	512,361.70	13,376.00	525,737.70
Capital Outlay	52,346.44	-	52,346.44
Total Expenditures	<u>2,660,433.09</u>	<u>192,170.86</u>	<u>2,852,603.95</u>
Excess (Deficiency) of Revenues			
Over Expenditures	<u>106,027.77</u>	<u>-</u>	<u>106,027.77</u>
Net Change in Fund Balances	106,027.77		106,027.77
Fund Balance—July 1	755,893.18	-	755,893.18
Fund Balance—June 30	<u>\$ 861,920.95</u>	<u>\$ -</u>	<u>\$ 861,920.95</u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

**BOARD OF EDUCATION**  
**SOARING HEIGHTS CHARTER SCHOOL**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2013**

**Total net change in fund balances - governmental funds (from B-2)** **\$106,027.77**

Amounts reported for governmental activities in the statement  
of activities (A-2) are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the  
statement of activities, the cost of those assets is allocated over their estimated  
useful lives as depreciation expense.

This is the amount by which capital outlays exceeded depreciation in the period.

Depreciation expense	\$(96,545.73)	
Capital outlays	<u>52,346.44</u>	
		(44,199.29)

In the statement of activities, only the gain on the disposal of capital assets is reported, whereas  
in the governmental funds, the proceeds from a sale increase financial resources. Thus, the change in  
net position will differ from the change in fund balance by the cost of the asset removed. (-)

**Change in net position of governmental activities**

\$ 61,828.48

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

**PROPRIETARY FUNDS  
NOT APPLICABLE**

## **FIDUCIARY FUNDS**

**BOARD OF EDUCATION**  
**SOARING HEIGHTS CHARTER SCHOOL**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2013**

	<b>Agency Fund</b>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 233,311.62
Total Assets	<u>\$ 233,311.62</u>
<b>LIABILITIES</b>	
Interfund Accounts Payable	\$ -
Payroll Deductions and Withholdings	<u>233,311.62</u>
Total Liabilities	<u>\$ 233,311.62</u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

## **NOTES TO BASIC FINANCIAL STATEMENTS**

BOARD OF EDUCATION  
SOARING HEIGHTS CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013

Note I: Summary of Significant Accounting Policies

A. Basis of Presentation

The financial statements of the Board of Education (Board) of the Soaring Heights Charter School (Charter School) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Charter School is required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Charter School has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Charter School has chosen not to do so. The more significant accounting policies established in GAAP and used by the Charter School are discussed below.

B. Reporting Entity

The Soaring Heights Charter School is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of elected officials and is responsible for the fiscal control of the Charter School. A Charter School Lead Person is appointed by the Board and is responsible for the administrative control of the Charter School.

The primary criterion for including activities within the Charter School reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the Charter School. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the Charter School over which the Board exercises operating control. The operations of the Charter School include a elementary, school located in Jersey City. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the Charter School is not includable in any other reporting entity on the basis of such criteria.

C. Basic Financial Statements- Government-Wide Statements

The statement of net position and the statement of activities display information about the Charter School. These statements include the financial activities of the Charter School, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Charter School. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Charter School and for each function of the Charter School's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

BOARD OF EDUCATION  
SOARING HEIGHTS CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013  
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

D. Basic Financial Statements- Fund Financial Statements

The financial transactions of the Charter School are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Charter School:

Governmental Fund Types

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Charter School:

General Fund – The general fund is the general operating fund of the Charter School. It is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the Capital Outlay subfund.

As required by the New Jersey State Department of Education, the Charter School includes budgeted Capital Outlay in this fund. Accounting principles generally accepted in the United States as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board resolution.

Special Revenue Fund – The Special Fund is used to account for the proceeds of specific revenue from State and Federal Government, (other than major capital projects, Debt Service or the Enterprise Funds) and local appropriations that are legally restricted to expenditures for specified purposes.

Fiduciary Fund Types

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Charter School programs. The reporting focus is on net position and changes in net position and are reported using accounting principles similar to proprietary funds.

The Charter School's fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

BOARD OF EDUCATION  
SOARING HEIGHTS CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013  
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

E. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Charter School gives (or receives) value without directly receiving (or giving) equal value in exchange, include state and federal aid, property taxes, grants entitlements and donations.

Government funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Charter School considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

F. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. The budgets are submitted to the county office. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Appropriation of prior year encumbrances in the amount of \$327,496.50 was made during the year ended June 30, 2013. The significant budget transfers and amendments approved in the school year are presented on Exhibit C-1.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of legally mandated revenue recognition of the last state aid payment for budgetary purposes only and the the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

Open encumbrances in the special revenue fund for which the Charter School has received advances are reflected in the balance sheet as deferred revenues at fiscal year end.

The reconciliation of the general and special revenue funds from the budgetary basis of accounting to the GAAP basis of accounting is presented on Exhibit C-3.

BOARD OF EDUCATION  
SOARING HEIGHTS CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013  
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

G. Assets, Liabilities and Fund Equity

1. Deposits and Investments

Deposits are cash and cash equivalents including petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Other than Certificates of Deposit, deposits with maturities of greater than three months are considered to be investments. U.S. Treasury and Agency Obligations and Certificates of Deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey Charter Schools are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school Charter Schools.

2. Short – term Interfund Receivables/Payables

Short – term interfund receivables/payables represents amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the Charter School and that are due within one year.

3. Capital Assets

Capital assets purchased or acquired with an original cost of \$2,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on the following assets is provided on the straight – line basis over the following estimated useful lives:

Buildings	20-50 years
Machinery and Equipment	5-10 years
Land Improvements	10-20 years
Other Infrastructure	10-50 years

Land and Construction in Progress are not depreciated.

GASBS No. 34 requires the Charter School to report and depreciate new infrastructure assets effective with the beginning of the current year. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is subject to an extended implementation period and was first effective for fiscal years ending in 2006.

BOARD OF EDUCATION  
SOARING HEIGHTS CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013  
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

G. Assets, Liabilities and Fund Equity (Continued)

4. Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the Charter School and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the Charter School and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

In governmental and similar trust funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and fund liability in the fund that will pay for the compensated absences. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government – wide presentations. (See Note IX)

5. Deferred Revenue

Deferred revenue in the special revenue fund represents cash which has been received but not yet earned. See Note I (F) regarding the special revenue fund.

6. Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

7. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reports, amounts and disclosures. Accordingly, actual results could differ from those estimates

H. Recent Accounting Pronouncements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reports, amounts and disclosures. Accordingly, actual results could differ from those estimates

BOARD OF EDUCATION  
SOARING HEIGHTS CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013  
(CONTINUED)

Note II: Reconciliation of Government Wide and Fund Financial Statements

Explanation of Differences between Governmental Funds Balance Sheet and the Statement of Net Position

"Total fund balances" of the District's governmental funds in B-1 differs from "net position" of governmental activities reported in the statement of net position in A-1. This difference primarily results from the long - term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets.

	<u>Balance Sheet/Statement of Net Position</u>			<u>Statement</u>
	<u>Total</u>	<u>Long - term</u>		<u>of Net</u>
<u>Assets</u>	<u>Governmental</u>	<u>Assets</u>	<u>Reclassifications</u>	<u>Position</u>
	<u>Funds</u>	<u>Liabilities (1)</u>	<u>and Eliminations</u>	<u>Totals</u>
Cash and Cash Equivalents	\$ 838,567.81	\$ -	\$ -	\$ 838,567.81
Receivables, Net			29,459.28	29,459.28
Receivables from Other Governments	29,459.28		(29,459.28)	-
Capital Assets, Net	-	2,145,434.70	-	2,145,434.70
Total Assets	<u>868,027.09</u>	<u>2,145,434.70</u>	<u>-</u>	<u>3,013,461.79</u>
<u>Liabilities</u>				
Deferred Revenue	<u>6,106.14</u>	<u>-</u>	<u>-</u>	<u>6,106.14</u>
Total Liabilities	<u>6,106.14</u>	<u>-</u>	<u>-</u>	<u>6,106.14</u>
<u>Fund Balances/Net Position</u>				
Net Invested in Capital Assets		2,145,434.70		2,145,434.70
Assigned Fund Balance:				
Encumbrances	356,055.00			356,055.00
Mandated Reserve Account	75,000.00			75,000.00
Unassigned/Unrestricted	<u>430,865.95</u>	<u>-</u>	<u>-</u>	<u>430,865.95</u>
Total Fund Balances/Net Position	<u>861,920.95</u>	<u>2,145,434.70</u>	<u>-</u>	<u>3,007,355.65</u>
Total Liabilities and Fund				
Balances/Net Position	<u>\$ 868,027.09</u>	<u>\$ 2,145,434.70</u>	<u>\$ -</u>	<u>\$ 3,013,461.79</u>

1. When Capital Assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the District as a whole.

Cost of Capital Assets	\$2,838,991.07
Accumulated Depreciation	(693,556.37)
	<u>\$2,145,434.70</u>

BOARD OF EDUCATION  
SOARING HEIGHTS CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013  
(CONTINUED)

Note II: Reconciliation of Government Wide and Fund Financial Statements (Continued)

Explanation of Differences between Governmental Funds Operating Statement of Activities

The "net change in fund balances" for governmental funds in B-2 differs from the "change in net position" for governmental activities reported in the statement of activities in A-2. The difference arise primarily for the long - term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

Statement of Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities

	Total Governmental Funds	Long - term Revenue, Expenses (2)	Capital Related Items (3)	Reclassifications and Eliminations (5)	Statement of Activities Totals
<u>Revenues and Other Sources</u>					
Local Tax Levy	\$ 627,582.00	\$ -	\$ -	\$ -	\$ 627,582.00
Interest Earned on Investments	16.63				16.63
Miscellaneous	26,498.04				26,498.04
State Sources	2,134,668.36				2,134,668.36
Federal Sources	169,866.69	-	-	-	169,866.69
Total	<u>2,958,631.72</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,958,631.72</u>
<u>Expenditures</u>					
Current:					
Regular Instruction	1,402,357.28		67,582.02	320,700.00	1,790,639.30
Special Education	25,000.00				25,000.00
Support Services and Undistributed Costs:					
Student and Instruction Related Services	166,902.17		9,654.57	36,801.64	213,358.38
General and Business Administrative Services	323,652.19		9,654.57	84,118.03	417,424.79
Plant Operations and Maintenance	354,088.17		9,654.57	84,118.03	447,860.77
Pupil Transportation	2,520.00				2,520.00
Unallocated Benefits	525,737.70			(525,737.70)	-
Capital Outlay	<u>52,346.44</u>	<u>-</u>	<u>(52,346.44)</u>	<u>-</u>	<u>-</u>
Total	<u>2,852,603.95</u>	<u>-</u>	<u>44,199.29</u>	<u>-</u>	<u>2,896,803.24</u>
Net Change for the Year	<u>\$ 106,027.77</u>	<u>\$ -</u>	<u>\$ (44,199.29)</u>	<u>\$ -</u>	<u>\$ 61,828.48</u>
Total Fund Balances/Net position					

3. Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount which capital outlays exceeded depreciation in the period.

Depreciation Expense	\$ (96,545.73)
Capital Outlays	<u>52,346.44</u>
	<u>\$ (44,199.29)</u>

5. Allocate Benefits expenditures

BOARD OF EDUCATION  
SOARING HEIGHTS CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013  
(CONTINUED)

Note III: Detailed Disclosure Regarding Assets and Revenues

A. Deposits and Investments

Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation (FDIC), the Savings Association Insurance Fund, or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

N.J.S.A. 17:9-41 et. Seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

At June 30, 2013 the Soaring Heights Charter School's cash and cash equivalent's amounted to \$1,189,489.11. Of this amount, \$250,000.00 was covered by federal depository insurance (F.D.I.C.) and \$939,489.11 was covered by a collateral pool maintained by the banks as required by GUDPA.

At June 30, 2013 the Soaring Heights Charter School did not participate in the State of New Jersey Cash Management Fund.

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires the disclosure of bank deposits that are subject to custodial credit risk. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Soaring Heights Charter School will not be able to recover deposits or will not be able to recover collateral securities that may be in the possession of an outside party.

As of June 30, 2013 none of the Soaring Heights Charter School's cash and cash equivalents of \$1,189,489.11 was exposed to custodial credit risk.

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BOARD OF EDUCATION  
SOARING HEIGHTS CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013  
(CONTINUED)

Note III: Detailed Disclosure Regarding Assets and Revenues (Continued)

A. Deposits and Investments (Continued)

Investments

New Jersey statutes (N.J.S.A. 40A: 5-15.1) permit the Soaring Heights Charter School to purchase the following types of securities:

a. When authorized by resolution adopted by a majority vote of all its members the board of education of any Charter School may use moneys which may be in hand for the purchase of the following types of securities which, if suitable for registry, may be registered in the name of the Charter School;

(1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;

(2) Government money market mutual funds;

(3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;

(4) Bonds or other obligations of the school Charter School or bonds or other obligations of local unit or units within which the Charter School is located;

(5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by Charter School;

(6) Local government investment pools;

(7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4) or

(8) Agreements for the repurchase of fully collateralized securities, if:

(a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a;

(b) the custody of collateral is transferred to a third party;

(c) the maturity of the agreement is not more than 30 days;

(d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41) and for which a master repurchase agreement providing for the custody and security of collateral is executed.

The Soaring Heights Charter School had no investments as described in Note I:G.1 at June 30, 2013.

B. Interfund Receivables and Payables

As of June 30, 2013, there were no interfund receivables or payables.

BOARD OF EDUCATION  
SOARING HEIGHTS CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013  
(CONTINUED)

Note III: Detailed Disclosure Regarding Assets and Revenues (Continued)

C. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirement</u>	<u>Ending Balance</u>
Governmental Activities:				
Land Improvements	\$ 2,058,479.67	\$ 52,346.44	\$ -	\$ 2,110,826.11
Buildings and Improvements	628,032.21		-	628,032.21
Machinery and Equipment	<u>100,132.75</u>	<u>-</u>	<u>-</u>	<u>100,132.75</u>
Totals at Historical Cost	<u>2,786,644.63</u>	<u>52,346.44</u>	<u>-</u>	<u>2,838,991.07</u>
Less Accumulated Depreciation For:				
Land Improvements	(332,710.25)	(71,993.89)		(404,704.14)
Buildings and Improvements	(178,637.34)	(20,934.41)		(199,571.75)
Machinery and Equipment	<u>(85,663.05)</u>	<u>(3,617.43)</u>	<u>-</u>	<u>(89,280.48)</u>
Total Accumulated Depreciation	<u>(597,010.64)</u>	<u>(96,545.73)</u> (1)	<u>-</u>	<u>(693,556.37)</u>
Net Capital Assets Being Depreciated	<u>2,189,633.99</u>	<u>(44,199.29)</u>	<u>-</u>	<u>2,145,434.70</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,189,633.99</u>	<u>\$ (44,199.29)</u>	<u>\$ -</u>	<u>\$ 2,145,434.70</u>

(1) Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 67,582.02
Student and Instruction Related Services	9,654.57
General and Business Administrative Services	9,654.57
Plant Operations and Maintenance	<u>9,654.57</u>
	<u>\$ 96,545.73</u>

BOARD OF EDUCATION  
SOARING HEIGHTS CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013  
(CONTINUED)

Note IV: Detailed Disclosures Regarding Liabilities and Expenses/Expenditures

A. Operating Leases

The District has no commitments to lease equipment under operating leases.

B. Long - Term Liabilities

There were no Long - Term liabilities for the year ended June 30, 2013.

BOARD OF EDUCATION  
SOARING HEIGHTS CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013  
(CONTINUED)

Note V: Pension Plans

Description of Systems

Substantially all of the Board's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employees' Retirement System (PERS). These systems are sponsored and administered by the New Jersey Division of Pensions and Benefits. The Teachers' Pension and Annuity Fund retirement system is considered a cost sharing plan with special funding situations as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Board and the system's other related non-contributing employers. The PERS is considered a cost sharing multiple-employer plan.

The Public Employees' Retirement System (PERS) was established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service for pension benefits and 25 years for post – retirement health care coverage.

The Teachers' Pension and Annuity Fund (TPAF) was established in January 1955, under the provisions of N.J.S.A. 18:66 to provide coverage including post-retirement health care to substantially all full time public school employees in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for post – retirement health care coverage.

According to the State of New Jersey Management Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits issues a publicly available financial report that includes the financial statements and required supplementary information of each of the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports maybe obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey 08625-0295.

Retirement Benefits

For PERS and TPAF employees, the benefits will be 1/55 of the average of the three highest years compensation for each year of service. However, for PERS and TPAF who are veterans of the U.S. armed forces, the benefits will be 1/55 of final compensation for each year of service.

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BOARD OF EDUCATION  
SOARING HEIGHTS CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013  
(CONTINUED)

Note V: Pension Plans (Continued)

Significant Legislation

Chapter 89, P.L. 2008, became effective November 1, 2008, increased TPAF and PERS retirement age. If a person becomes a member on or after November 1, 2008 that person must be at least 62 years of age in order to retire without a reduction in their retirement allowance.

Chapter 89, P.L. 2008, effective November 1, 2008, increased the PERS retirement age. If a person becomes a member on or after November 1, 2008 that person must be at least 62 years of age in order to retire without a reduction in their retirement allowance.

Chapter 78, P.L. 2011, effective June 28, 2011 implements changes to the PERS. PERS employee pension contribution rates will increase from 5.5% to 6.5% of salary

The second phase of the contribution rate increase from 6.5% to 7.5% is to be phased in equally over a 7 year period beginning July 2012. The contribution rate will increase by 0.14% each year with the first payroll of July until the 7.5% contribution rate is reached in July 2018.

The increase in the PERS employee contribution rate will also increase the minimum repayment amount for pension loans or the cost for a purchase of service credit if certified after the employee's increased contribution becomes effective.

Under a provision of Chapter 78, P.L. 2011, Cost of Living Adjustments (COLA) are suspended for all current and future retirees of all retirement systems. There is no reduction to any COLA increases that were already added to retiree benefits prior to the effective date of the law.

Contribution Requirements

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contribution rates to increase from 6.50 percent of employees' annual compensation to 7.5%, phased in starting in July 2012. Employers are required to contribute at an actuarially determined rate in all Funds. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the TPAF and PERS.

During the year ended June 30, 2012, for TPAF, annual pension cost equals annual required contribution. For PERS, the annual pension cost differs from the annual required contribution due to the enactment of Chapter 114, P.L. 1997.

BOARD OF EDUCATION  
SOARING HEIGHTS CHARTER SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013  
(CONTINUED)

Note V: Pension Plans (Continued)

Contributions – Actual

The Soaring Heights Charter School's total payroll for the year ended June 30, 2013 was \$1,558,723.77 and covered payroll was \$1,047,500.00 for TPAF and \$224,970.00 for PERS. Contributions to the TPAF and the PERS for the last three years ended June 30 made by the employees, the Board, and the State of New Jersey on behalf of the Board were as follows:

		<u>TPAF</u>	Percent of Covered <u>Payroll</u>	<u>PERS</u>	Percent of Covered <u>Payroll</u>
Employees	6/30/11	\$56,367.84	5.64%	\$13,965.11	5.50%
	6/30/12	\$69,956.40	6.45%	\$13,576.34	6.40%
	6/30/13	\$69,553.89	6.64%	\$14,938.00	6.64%
Board of Education	6/30/11			\$29,045.00	11.44%
	6/30/12			\$31,034.00	14.63%
	6/30/13			\$29,763.00	13.23%
State of New Jersey	6/30/11	\$ 58,973.00	5.90%		
	6/30/12	\$ 93,859.00	8.65%		
	6/30/13	\$ 146,417.00	13.98%		

In accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$80,248.36 during the year ended June 30, 2013 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount and the State of New Jersey's Contribution to the TPAF have been included in the basic financial statements and the budgetary comparison schedule – General Fund as a revenue and expenditure in accordance with GASB 24.

Note VI: Post-Retirement Medical Benefits

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2012 there were 97,661 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c.126 which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$146.6 million toward Chapter 126 benefits for 16,618 eligible retired members in Fiscal Year 2012.

**REQUIRED SUPPLEMENTARY INFORMATION -  
PART II**

**SECTION C**  
**BUDGETARY COMPARISON SCHEDULES**

BOARD OF EDUCATION  
SOARING HEIGHTS CHARTER SCHOOL  
Budgetary Comparison Schedule  
General Fund  
Fiscal Year Ended June 30, 2013

		Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:						
Local Sources:						
Local Tax Levy		\$ 632,491.00	\$ -	\$ 632,491.00	\$ 627,582.00	\$ (4,909.00)
Interest Earned on Investments		-	-	-	16.63	16.63
Miscellaneous		-	-	-	4,193.87	4,193.87
Total - Local Sources		632,491.00	-	632,491.00	631,792.50	(698.50)
State Sources:						
Equalization Aid		1,738,787.00	-	1,738,787.00	1,765,670.00	26,883.00
Special Education Aid		63,247.00	-	63,247.00	64,104.00	857.00
Security Aid		82,147.00	-	82,147.00	78,229.00	(3,918.00)
TPAF Post Retirement Medical (On-Behalf - Non-Budgeted)		-	-	-	77,701.00	77,701.00
TPAF Pension (On-Behalf - Non-Budgeted)		-	-	-	68,716.00	68,716.00
TPAF Social Security (Reimbursed - Non-Budgeted)		-	-	-	80,248.36	80,248.36
Total State Sources		1,884,181.00	-	1,884,181.00	2,134,668.36	250,487.36
Total Revenues		\$ 2,516,672.00	\$ -	\$ 2,516,672.00	\$ 2,766,460.86	\$ 249,788.86
EXPENDITURES:						
Current Expense:						
Regular Programs - Instruction						
Salaries of Teachers	100-100-101	\$ 1,100,000.00	\$ 51,000.00	\$ 1,151,000.00	\$ 1,146,705.43	\$ 4,294.57
Regular Programs - Undistributed Instruction						
Other Salaries for Instruction	190-100-106	24,300.00	-	24,300.00	23,400.00	900.00
Purchased Professional-Educational Services	190-100-320	60,000.00	(5,500.00)	54,500.00	51,771.30	2,728.70
Purchased Technical Services	190-100-390	18,000.00	(3,500.00)	14,500.00	13,817.28	682.72
General Supplies	190-100-610	60,000.00	-	60,000.00	39,222.45	20,777.55
Textbooks	190-100-640	50,000.00	(36,500.00)	13,500.00	11,519.01	1,980.99
Other Objects	190-100-800	18,000.00	(6,500.00)	11,500.00	10,831.12	668.88
TOTAL REGULAR PROGRAMS - INSTRUCTION		1,330,300.00	(1,000.00)	1,329,300.00	1,297,266.59	32,033.41
Total Instruction		1,330,300.00	(1,000.00)	1,329,300.00	1,297,266.59	32,033.41
Undist. Expend. - Health Services						
Salaries	000-213-100	60,000.00	-	60,000.00	54,223.00	5,777.00
Total Undistributed Expenditures - Health Services		60,000.00	-	60,000.00	54,223.00	5,777.00
Undist. Expend. - Other Supp. Serv. Students-Special						
Salaries of Other Professional Staff	000-219-104	110,000.00	-	110,000.00	63,975.00	46,025.00
Total Undist. Expend. - Other Supp. Serv. Students-Spl.		110,000.00	-	110,000.00	63,975.00	46,025.00
Undist. Expend. - Supp. Serv. - General Admin.						
Salaries	000-230-100	241,535.00	-	241,535.00	236,484.50	5,050.50
Purchased Technical Services	000-230-340	50,000.00	60,125.00	110,125.00	34,605.85	75,519.15
Communications/Telephone	000-230-530	28,000.00	-	28,000.00	8,528.55	19,471.45
Other Purchased Services (400-500 series)	000-230-590	25,000.00	-	25,000.00	6,429.19	18,570.81
Supplies and Materials	000-230-600	20,000.00	-	20,000.00	7,699.55	12,300.45
Miscellaneous Expenditures	000-230-890	35,000.00	3,371.50	38,371.50	29,904.55	8,466.95
Total Undist. Expend. - Supp. Serv. - General Admin.		399,535.00	63,496.50	463,031.50	323,652.19	139,379.31
Undist. Expend. - Oth. Oper. & Maint. of Plant						
Rental	000-262-440	243,408.00	-	243,408.00	242,398.00	1,010.00
Other Purchased Property Services	000-262-490	48,000.00	-	48,000.00	25,048.37	22,951.63
Insurance	000-262-520	46,000.00	-	46,000.00	38,264.44	7,735.56
General Supplies	000-262-610	3,000.00	-	3,000.00	1,015.32	1,984.68
Energy (Energy and Electricity)	000-262-620	50,000.00	-	50,000.00	35,835.08	14,164.92
Other Objects	000-262-800	25,000.00	-	25,000.00	11,526.96	13,473.04
Total Undist. Expend. - Other Oper. & Maint. Of Plant		415,408.00	-	415,408.00	354,088.17	61,319.83
Undist. Expend. - Student Transportation Serv.						
Contracted Services (Other than Between Home and School) - Vendor 000-270-512		3,500.00	-	3,500.00	2,520.00	980.00
Total Undist. Expend. - Student Transportation Serv.		3,500.00	-	3,500.00	2,520.00	980.00

BOARD OF EDUCATION  
SOARING HEIGHTS CHARTER SCHOOL  
Budgetary Comparison Schedule  
General Fund  
Fiscal Year Ended June 30, 2013  
(Concluded)

		<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>UNALLOCATED BENEFITS</b>						
Other Employee Benefits	000-291-290	\$ 300,000.00	\$ -	\$ 300,000.00	\$ 285,696.34	\$ 14,303.66
<b>TOTAL UNALLOCATED BENEFITS</b>		<u>300,000.00</u>	<u>-</u>	<u>300,000.00</u>	<u>285,696.34</u>	<u>14,303.66</u>
On-behalf TPAF PRM Contributions (non-budgeted)					77,701.00	(77,701.00)
On-behalf TPAF Pension Contributions (non-budgeted)			-		68,716.00	(68,716.00)
Reimbursed TPAF Social Security Contributions (non-budgeted)		-	-	-	80,248.36	(80,248.36)
<b>TOTAL ON-BEHALF CONTRIBUTIONS</b>		<u>-</u>	<u>-</u>	<u>-</u>	<u>226,665.36</u>	<u>(226,665.36)</u>
<b>TOTAL PERSONAL SERVICES - EMPLOYEE BENEFITS</b>		<u>300,000.00</u>	<u>-</u>	<u>300,000.00</u>	<u>512,361.70</u>	<u>(212,361.70)</u>
<b>TOTAL UNDISTRIBUTED EXPENDITURES</b>		<u>1,288,443.00</u>	<u>63,496.50</u>	<u>1,351,939.50</u>	<u>1,310,820.06</u>	<u>41,119.44</u>
<b>TOTAL GENERAL CURRENT EXPENSE</b>		<u>2,618,743.00</u>	<u>62,496.50</u>	<u>2,681,239.50</u>	<u>2,608,086.65</u>	<u>73,152.85</u>
<b>CAPITAL OUTLAY</b>						
<b>Facilities Acquisition and Construction Services</b>						
Land and Improvements	000-400-710	65,000.00	-	65,000.00	52,346.44	12,653.56
Lease Purchase Agreements - Principal	000-400-721	-	265,000.00	265,000.00	-	265,000.00
<b>Total Facilities Acquisition and Construction Services</b>		<u>65,000.00</u>	<u>265,000.00</u>	<u>330,000.00</u>	<u>52,346.44</u>	<u>277,653.56</u>
<b>TOTAL CAPITAL OUTLAY</b>		<u>65,000.00</u>	<u>265,000.00</u>	<u>330,000.00</u>	<u>52,346.44</u>	<u>277,653.56</u>
<b>TOTAL EXPENDITURES</b>		<u>2,683,743.00</u>	<u>327,496.50</u>	<u>3,011,239.50</u>	<u>2,660,433.09</u>	<u>350,806.41</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)</b>		<u>(167,071.00)</u>	<u>(327,496.50)</u>	<u>(494,567.50)</u>	<u>106,027.77</u>	<u>600,595.27</u>
<b>Fund Balance, July 1</b>		<u>755,893.18</u>	<u>-</u>	<u>755,893.18</u>	<u>755,893.18</u>	<u>-</u>
<b>Fund Balance, June 30</b>		<u>\$ 588,822.18</u>	<u>\$ (327,496.50)</u>	<u>\$ 261,325.68</u>	<u>\$ 861,920.95</u>	<u>\$ 600,595.27</u>
<b>Recapitulation of Excess (Deficiency) of Revenues and Other Financing Sources (Uses) Over (Under) Expenditures and Other Financing Sources (Uses):</b>						
Adjustment for Prior Year Encumbrances		\$ -	\$ (327,496.50)	\$ (327,496.50)	\$ (62,496.50)	\$ 265,000.00
Budgeted Fund Balance		<u>(167,071.00)</u>	<u>-</u>	<u>(167,071.00)</u>	<u>168,524.27</u>	<u>335,595.27</u>
<b>Total</b>		<u>\$ (167,071.00)</u>	<u>\$ (327,496.50)</u>	<u>\$ (494,567.50)</u>	<u>\$ 106,027.77</u>	<u>\$ 600,595.27</u>

**BOARD OF EDUCATION**  
**SOARING HEIGHTS CHARTER SCHOOL**  
**Budgetary Comparison Schedule**  
**Special Revenue Fund**  
**For the Fiscal Year Ended June 30, 2013**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES:</b>					
State Sources	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Sources	179,413.00	(6,386.00)	173,027.00	169,866.69	3,160.31
Local Sources	25,000.00	250.00	25,250.00	22,304.17	2,945.83
<b>Total Revenues</b>	<u>204,413.00</u>	<u>(6,136.00)</u>	<u>198,277.00</u>	<u>192,170.86</u>	<u>6,106.14</u>
<b>EXPENDITURES:</b>					
<b>Instruction</b>					
Personal Services - Salaries	69,013.00	1,111.00	70,124.00	70,124.00	-
Purchased Professional and Technical Services	14,181.00	24,478.00	38,659.00	38,659.00	-
General Supplies	21,652.00	-	21,652.00	21,307.69	344.31
<b>Total Instruction</b>	<u>104,846.00</u>	<u>25,589.00</u>	<u>130,435.00</u>	<u>130,090.69</u>	<u>344.31</u>
<b>Support Services</b>					
Personal Services - Employee Benefits	22,282.00	(8,906.00)	13,376.00	13,376.00	-
Purchased Professional and Technical Services	26,150.00	250.00	26,400.00	26,400.00	-
Purchased Professional - Educational Services	51,135.00	(25,885.00)	25,250.00	22,304.17	2,945.83
<b>Total Support Services</b>	<u>99,567.00</u>	<u>(34,541.00)</u>	<u>65,026.00</u>	<u>62,080.17</u>	<u>2,945.83</u>
<b>Facilities Acquisition and Construction Services:</b>					
Instructional Equipment	-	2,816.00	2,816.00	-	2,816.00
<b>Total Facilities Acquisition and Construction Ser</b>	<u>-</u>	<u>2,816.00</u>	<u>2,816.00</u>	<u>-</u>	<u>2,816.00</u>
<b>Total Expenditures</b>	<u>\$204,413.00</u>	<u>\$ (6,136.00)</u>	<u>\$ 198,277.00</u>	<u>\$ 192,170.86</u>	<u>\$ 6,106.14</u>

**NOTES TO REQUIRED SUPPLEMENTARY  
INFORMATION**

BOARD OF EDUCATION  
SOARING HEIGHTS CHARTER SCHOOL  
Required Supplementary Information  
Budgetary Comparison Schedule  
Note to RSI  
For the Fiscal Year Ended June 30, 2013

**Note A - Explanation of Differences between Budgetary Inflows and Outflows and  
GAAP Revenues and Expenditures**

	<u>Exhibit</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>
<b>Sources/inflows of resources</b>			
Actual amounts (budgetary basis) "revenue"			
from the budgetary comparison schedule	[C-1&C-2]	\$ 2,766,460.86	\$ 192,170.86
Difference - budget to GAAP:			
The last State aid payment is recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expense in accordance with GASB 33.		-	-
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		-	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2]	<u>\$ 2,766,460.86</u>	<u>\$ 192,170.86</u>
<b>Uses/outflows of resources</b>			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1&C-2]	2,660,433.09	\$ 192,170.86
Differences - budget to GAAP			
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.			-
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.	\$ -		
Net transfers (outflows) to general fund		-	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2]	<u>\$ 2,660,433.09</u>	<u>\$ 192,170.86</u>

## **OTHER SUPPLEMENTARY INFORMATION**

**SECTION D**  
**SCHOOL LEVEL SCHEDULES**  
***NOT APPLICABLE***

**SECTION E**  
**SPECIAL REVENUE FUND**

**BOARD OF EDUCATION  
SOARING HEIGHTS CHARTER SCHOOL  
Special Revenue Fund**

**Combining Schedule of Program Revenues and Expenditures - Budgetary Basis  
For the Fiscal Year Ended June 30, 2013**

		<u>Total</u>	<u>Federal Aid</u>	<u>Local Aid</u>
<b>REVENUES</b>				
Federal Sources		\$ 169,866.69	\$ 169,866.69	\$ -
Local Sources		<u>22,304.17</u>	<u>-</u>	<u>22,304.17</u>
<b>Total Revenues</b>		<u>192,170.86</u>	<u>169,866.69</u>	<u>22,304.17</u>
<b>EXPENDITURES:</b>				
<b>Instruction:</b>				
Personal Services - Salaries	100-100	70,124.00	70,124.00	
Purchased Professional and Technical Services	100-300	38,659.00	38,659.00	
General Supplies	100-610	<u>21,307.69</u>	<u>21,307.69</u>	
<b>Total Instruction</b>		<u>130,090.69</u>	<u>130,090.69</u>	
<b>Support Services:</b>				
Personal Services - Employee Benefits	200-200	13,376.00	13,376.00	
Purchased Professional and Technical Services	200-300	26,400.00	26,400.00	
Purchased Professional - Educational Services	200-320	<u>22,304.17</u>	<u>-</u>	<u>22,304.17</u>
<b>Total Support Services</b>		<u>62,080.17</u>	<u>39,776.00</u>	<u>22,304.17</u>
<b>Total Expenditures</b>		<u>\$ 192,170.86</u>	<u>\$ 169,866.69</u>	<u>\$ 22,304.17</u>

**BOARD OF EDUCATION**  
**SOARING HEIGHTS CHARTER SCHOOL**  
**Special Revenue Fund**  
**Combining Schedule of Federal Program Revenues and Expenditures - Budgetary Basis**  
**For the Fiscal Year Ended June 30, 2013**

			<u>E.S.E.A.</u>		<u>I.D.E.A</u>
		<u>Total</u>	<u>Title I</u>	<u>Title II</u>	<u>Part B</u>
					<u>Basic</u>
<b>REVENUES</b>					
Federal Sources		\$ 169,866.69	\$ 111,655.69	\$ 11,767.00	\$ 46,444.00
<b>Total Federal Revenues</b>		<u>169,866.69</u>	<u>111,655.69</u>	<u>11,767.00</u>	<u>46,444.00</u>
<b>EXPENDITURES:</b>					
<b>Instruction:</b>					
Personal Services - Salaries	100-100	70,124.00	45,124.00		25,000.00
Purchased Professional and Technical Services	100-300	38,659.00	26,892.00	11,767.00	
General Supplies	100-610	<u>21,307.69</u>	<u>21,307.69</u>	<u>-</u>	<u>-</u>
<b>Total Instruction</b>		<u>130,090.69</u>	<u>93,323.69</u>	<u>11,767.00</u>	<u>25,000.00</u>
<b>Support Services:</b>					
Personal Services - Employee Benefits	200-200	13,376.00	1,932.00		11,444.00
Purchased Professional and Technical Services	200-300	<u>26,400.00</u>	<u>16,400.00</u>		<u>10,000.00</u>
<b>Total Support Services</b>		<u>39,776.00</u>	<u>18,332.00</u>	<u>-</u>	<u>21,444.00</u>
<b>Total Expenditures</b>		\$ 169,866.69	\$ 111,655.69	\$ 11,767.00	\$ 46,444.00

**BOARD OF EDUCATION**  
**SOARING HEIGHTS CHARTER SCHOOL**  
**Special Revenue Fund**  
**Combining Schedule of Local Program Revenues and Expenditures - Budgetary Basis**  
**For the Fiscal Year Ended June 30, 2013**

		<u><b>Total</b></u>	<u><b>Simmon Grant</b></u>
<b>REVENUES</b>			
Local Sources		\$ 22,304.17	\$ 22,304.17
<b>Total State Revenues</b>		<u>22,304.17</u>	<u>22,304.17</u>
<b>EXPENDITURES:</b>			
<b>Support Services:</b>			
Purchased Professional - Educational Services	200-320	<u>22,304.17</u>	<u>22,304.17</u>
<b>Total Support Services</b>		<u>22,304.17</u>	<u>22,304.17</u>
<b>Total Expenditures</b>		<u>\$ 22,304.17</u>	<u>\$ 22,304.17</u>

**SECTION F**  
**CAPITAL PROJECTS FUND**  
***NOT APPLICABLE***

**SECTION G**  
**PROPRIETARY FUNDS**  
***NOT APPLICABLE***

**ENTERPRISE FUND**  
***NOT APPLICABLE***

**INTERNAL SERVICE FUND**  
***NOT APPLICABLE***

**SECTION H**  
**FIDUCIARY FUND**

**BOARD OF EDUCATION**  
**SOARING HEIGHTS CHARTER SCHOOL**  
**Payroll Agency Fund**  
**Schedule of Receipts and Disbursements**  
**For the Fiscal Year Ended June 30, 2013**

	<u>Balance</u> <u>June 30, 2012</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2013</u>
Net Salaries and Wages and Payroll Deductions and Withholdings	<u>\$ 252,347.11</u>	<u>\$ 1,672,153.25</u>	<u>\$ 1,691,188.74</u>	<u>\$ 233,311.62</u>

**SECTION I**

**LONG – TERM DEBT**  
***NOT APPLICABLE***

## **STATISTICAL SECTION (Unaudited)**

### **Financial Trends**

J-1	Net Position by Component
J-2	Changes in Net Assets/Net Position
J-3	Fund Balances - Governmental Funds
J-4	Changes in Fund Balances - Governmental Funds
J-5	General Fund - Other Local Revenue by Source

### **Revenue Capacity**

J-6	Assessed Value and Estimated Actual Value of Taxable Property
J-7	Direct and Overlapping Property Tax Rates
J-8	Principal Property Taxpayers
J-9	Property Tax Levies and Collections

### **Debt Capacity**

J-10	Ratios of Outstanding Debt by Type
J-11	Ratios of Net General Bonded Debt Outstanding
J-12	Direct and Overlapping Governmental Activities Debt as of June 30
J-13	Legal Debt Margin Information

### **Demographic and Economic Information**

J-14	Demographic and Economic Statistics
J-15	Principal Employers

### **Operating Information**

J-16	Full-time Equivalent District Employees by Function/Program
J-17	Operating Statistics
J-18	School Building Information
J-19	Schedule of Required Maintenance for School Facilities
J-20	Insurance Schedule

### **Charter School Performance Framework Financial Indicators**

J-21	Near Term Indicators
J-22	Sustainability Indicators

Certain Exhibits do not contain ten years of information since GASBS No. 44 was implemented as of the fiscal year ending June 30, 2005.

**BOARD OF EDUCATION  
SOARING HEIGHTS CHARTER SCHOOL**

**Net Position by Component  
Last Nine Fiscal Years  
(accrual basis of accounting)  
Unaudited**

	Fiscal Year Ending June 30,								
	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Governmental Activities</b>									
Net Invested in Capital Assets									
Restricted	\$ 2,145,434.70	\$ 2,189,633.99	\$ 2,231,203.90	\$ 2,203,515.80	\$ 1,871,742.00	\$ 1,593,746.84	\$ 1,300,881.05	\$ 990,549.74	\$ 450,273.10
Unrestricted	431,055.00	327,496.50	346,102.50	15,889.06	300,000.00	-	-	-	2,573.03
Total Governmental Activities Net Position	<u>\$ 430,865.95</u>	<u>\$ 428,396.68</u>	<u>\$ 227,841.82</u>	<u>\$ 329,083.79</u>	<u>\$ 306,064.97</u>	<u>\$ 571,580.61</u>	<u>\$ 447,424.07</u>	<u>\$ 489,149.98</u>	<u>\$ 279,696.58</u>
	<u>\$ 3,007,355.65</u>	<u>\$ 2,945,527.17</u>	<u>\$ 2,805,148.22</u>	<u>\$ 2,548,488.65</u>	<u>\$ 2,477,806.97</u>	<u>\$ 2,165,327.45</u>	<u>\$ 1,748,305.12</u>	<u>\$ 1,479,699.72</u>	<u>\$ 732,542.71</u>
<b>District-Wide</b>									
Net Invested in Capital Assets									
Restricted	\$ 2,145,434.70	\$ 2,189,633.99	\$ 2,231,203.90	\$ 2,203,515.80	\$ 1,871,742.00	\$ 1,593,746.84	\$ 1,300,881.05	\$ 990,549.74	\$ 450,273.10
Unrestricted	431,055.00	327,496.50	346,102.50	15,889.06	300,000.00	-	-	-	2,573.03
Total District Net Position	<u>\$ 430,865.95</u>	<u>\$ 428,396.68</u>	<u>\$ 227,841.82</u>	<u>\$ 329,083.79</u>	<u>\$ 306,064.97</u>	<u>\$ 571,580.61</u>	<u>\$ 447,424.07</u>	<u>\$ 489,149.98</u>	<u>\$ 279,696.58</u>
	<u>\$ 3,007,355.65</u>	<u>\$ 2,945,527.17</u>	<u>\$ 2,805,148.22</u>	<u>\$ 2,548,488.65</u>	<u>\$ 2,477,806.97</u>	<u>\$ 2,165,327.45</u>	<u>\$ 1,748,305.12</u>	<u>\$ 1,479,699.72</u>	<u>\$ 732,542.71</u>

Source: District Records

BOARD OF EDUCATION  
SOARING HEIGHTS CHARTER SCHOOL

Changes in Net Assets/Net Position  
Last Nine Fiscal Years  
(accrual basis of accounting)  
Unaudited

	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Expenses</b>									
Governmental Activities									
Instruction	\$ 1,790,639.30	\$ 1,689,689.37	\$ 1,476,895.85	\$ 1,610,272.65	\$ 1,398,391.16	\$ 1,359,589.47	\$ 1,242,320.80	\$ 1,086,649.90	\$ 1,017,385.19
Regular	25,000.00	26,700.00	60,257.00	77,822.00	44,579.00	41,912.69	43,210.22	36,915.58	40,435.14
Special Education									
Support Services:									
Student and Instruction Related Services	213,358.38	228,341.83	141,431.17	167,735.63	158,910.43	128,708.84	148,720.93	121,289.15	95,036.45
General and Business Administrative Services	417,424.79	393,531.49	334,258.50	341,260.88	353,314.58	322,088.89	360,535.50	288,908.98	285,118.12
Plant Operations and Maintenance	447,860.77	419,238.85	399,116.75	465,073.86	359,561.69	362,612.02	293,547.25	286,493.85	275,112.64
Pupil Transportation	2,520.00	970.00	2,305.00	1,055.00	1,295.00	1,025.00	1,870.00	1,875.00	400.00
Total Governmental Activities Expenses	2,896,803.24	2,758,471.54	2,414,264.27	2,663,220.02	2,316,051.86	2,215,946.91	2,090,204.70	1,822,132.46	1,693,467.54
Total District-Wide Expenses	2,896,803.24	2,758,471.54	2,414,264.27	2,663,220.02	2,316,051.86	2,215,946.91	2,090,204.70	1,822,132.46	1,693,467.54
<b>Program Revenues</b>									
Governmental Activities:									
Operating Grants and Contributions	460,636.05	426,240.95	420,642.17	488,622.69	367,307.55	198,722.00	499,741.73	256,281.76	232,880.95
Total Governmental Activities Program Revenues	460,636.05	426,240.95	420,642.17	488,622.69	367,307.55	198,722.00	499,741.73	256,281.76	232,880.95

BOARD OF EDUCATION  
SOARING HEIGHTS CHARTER SCHOOL

Changes in Net Assets/Net Position  
Last Nine Fiscal Years  
(accrual basis of accounting)  
Unaudited

	Fiscal Year Ending June 30,								
	2013	2012	2011	2010	2009	2008	2007	2006	2005
Total District-Wide Program Revenues	\$ 460,636.05	\$ 426,240.95	\$ 420,642.17	\$ 488,622.69	\$ 367,307.55	\$ 198,722.00	\$ 499,741.73	\$ 256,281.76	\$ 232,880.95
Net (Expense)/Revenue	(2,436,167.19)	(2,332,230.59)	(1,993,622.10)	(2,174,597.33)	(1,948,744.31)	(2,017,224.91)	(1,590,462.97)	(1,565,850.70)	(1,460,586.59)
Governmental Activities	(2,436,167.19)	(2,332,230.59)	(1,993,622.10)	(2,174,597.33)	(1,948,744.31)	(2,017,224.91)	(1,590,462.97)	(1,565,850.70)	(1,460,586.59)
Business-Type Activities	-	-	-	-	-	-	-	-	-
Total District-Wide Net Expense	(2,436,167.19)	(2,332,230.59)	(1,993,622.10)	(2,174,597.33)	(1,948,744.31)	(2,017,224.91)	(1,590,462.97)	(1,565,850.70)	(1,460,586.59)
General Revenues and Other Changes in Net Assets/Position									
Governmental Activities:									
Taxes:									
Property Taxes, Levied for General Purposes	627,582.00	599,163.00	514,251.00	495,252.00	436,531.00	619,541.00	478,366.00	405,800.00	452,530.00
Federal and State Aid Not Restricted	1,843,899.00	1,805,808.00	1,735,188.00	1,731,699.00	1,793,582.00	1,747,110.46	1,357,129.00	1,513,276.00	1,366,203.95
Investment Earnings	16.83	5.66	74.69	8.70	1,879.67	8,249.15	11,014.45	11,510.39	4,369.07
Miscellaneous Income	26,496.04	67,050.88	1,349.98	18,319.31	29,231.16	4,130.10	12,556.92	5,933.99	13,970.90
Special Item - Reallocation of Prior Year Expenditures	-	582.00	(582.00)	-	-	55,216.53	-	-	-
Total Governmental Activities	2,497,995.67	2,472,609.54	2,250,281.67	2,245,279.01	2,261,223.83	2,434,247.24	1,859,068.37	1,936,520.38	1,837,073.92
Total District-Wide General Revenues	2,497,995.67	2,472,609.54	2,250,281.67	2,245,279.01	2,261,223.83	2,434,247.24	1,859,068.37	1,936,520.38	1,837,073.92
Change in Net Assets/Position									
Governmental Activities	61,828.48	140,378.95	256,659.57	70,681.68	312,479.52	417,022.33	268,605.40	370,669.68	376,487.33
Business-Type Activities	-	-	-	-	-	-	-	-	-
Total District-Wide Change in Net Assets/Position	\$ 61,828.48	\$ 140,378.95	\$ 256,659.57	\$ 70,681.68	\$ 312,479.52	\$ 417,022.33	\$ 268,605.40	\$ 370,669.68	\$ 376,487.33

Source: District Records

**BOARD OF EDUCATION  
SOARING HEIGHTS CHARTER SCHOOL**

**Fund Balances - Governmental Funds,  
Last Nine Fiscal Years  
(modified accrual basis of accounting)  
Unaudited**

	Fiscal Year Ending June 30,								
	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Fund									
Reserved	\$ 431,055.00	\$ 327,496.50	\$ 346,102.50	\$ 15,889.06	\$ 300,000.00	\$ -	\$ -	\$ -	\$ -
Unreserved	430,865.95	428,396.68	227,841.82	329,083.79	306,064.97	571,580.61	447,424.07	489,149.98	442,813.58
Total General Fund	<u>\$ 861,920.95</u>	<u>\$ 755,893.18</u>	<u>\$ 573,944.32</u>	<u>\$ 344,972.85</u>	<u>\$ 606,064.97</u>	<u>\$ 571,580.61</u>	<u>\$ 447,424.07</u>	<u>\$ 489,149.98</u>	<u>\$ 442,813.58</u>
Total Fund Balances	<u>\$ 861,920.95</u>	<u>\$ 755,893.18</u>	<u>\$ 573,944.32</u>	<u>\$ 344,972.85</u>	<u>\$ 606,064.97</u>	<u>\$ 571,580.61</u>	<u>\$ 447,424.07</u>	<u>\$ 489,149.98</u>	<u>\$ 442,813.58</u>

Source: District Records

**BOARD OF EDUCATION  
SOARING HEIGHTS CHARTER SCHOOL**

**Changes in Fund Balances - Governmental Funds,  
Last nine Fiscal Years  
(modified accrual basis of accounting)  
Unaudited**

	Fiscal Year Ending June 30,								
	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Revenues</b>									
Tax Levy	\$ 627,582.00	\$ 599,163.00	\$ 514,251.00	\$ 495,252.00	\$ 436,531.00	\$ 619,541.00	\$ 478,366.00	\$ 405,800.00	\$ 452,530.00
Interest Earnings	16.63	5.66	74.69	8.70	1,879.67	8,249.15	11,014.45	11,510.39	4,369.07
Miscellaneous	26,498.04	67,050.88	1,798.98	18,319.31	29,231.16	4,130.10	12,558.92	5,933.99	13,970.90
State Sources	2,134,668.36	2,052,635.95	1,942,492.22	1,916,178.64	1,967,334.38	1,747,110.46	1,640,882.70	1,574,986.59	1,382,792.79
Federal Sources	169,866.69	179,413.00	213,337.95	304,143.05	193,555.17	196,722.00	215,988.03	194,571.17	216,292.11
Total Revenues	<u>2,958,631.72</u>	<u>2,898,268.49</u>	<u>2,671,954.84</u>	<u>2,733,901.70</u>	<u>2,628,531.38</u>	<u>2,577,752.71</u>	<u>2,358,810.10</u>	<u>2,192,802.14</u>	<u>2,069,954.87</u>
<b>Expenditures</b>									
Instruction									
Regular Instruction	1,402,357.28	1,324,955.96	1,160,823.29	1,317,863.65	1,138,065.55	1,133,717.15	1,044,569.11	899,933.49	849,329.41
Special education instruction	25,000.00	26,700.00	60,257.00	77,822.00	44,579.00	35,700.00	37,916.00	31,328.20	34,510.14
Support Services:									
Student and Instruction Related Services	166,902.17	184,620.28	103,323.46	132,422.80	127,610.00	100,879.00	124,252.28	99,631.19	81,059.84
General and Business Administrative Services	323,652.19	305,798.07	261,466.84	273,088.64	291,097.15	266,311.95	312,242.83	242,235.86	229,167.68
Plant Operations and Maintenance	354,088.17	331,505.43	321,715.09	394,751.62	297,344.26	306,825.08	245,254.59	240,086.79	272,122.94
Pupil Transportation	2,520.00	970.00	2,305.00	1,055.00	1,295.00	1,025.00	1,870.00	1,875.00	400.00
Employee Benefits	525,737.70	489,020.77	410,988.33	376,826.83	343,522.23	310,634.52	264,711.20	266,065.73	196,980.50
Capital Outlay	52,346.44	53,331.12	121,073.36	421,123.28	350,533.83	353,720.00	369,720.00	365,309.48	245,840.39
Total Expenditures	<u>2,852,603.95</u>	<u>2,716,901.63</u>	<u>2,441,952.37</u>	<u>2,994,993.82</u>	<u>2,594,047.02</u>	<u>2,508,812.70</u>	<u>2,400,536.01</u>	<u>2,146,465.74</u>	<u>1,909,410.90</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	106,027.77	181,366.86	230,002.47	(261,092.12)	34,484.36	68,940.01	(41,725.91)	46,336.40	160,543.97
<b>Other Financing Sources (Uses)</b>									
Prior Year Adjustments	-	582.00	(1,031.00)	-	-	-	-	-	-
Net Change in Fund Balances	<u>\$ 106,027.77</u>	<u>\$ 181,948.86</u>	<u>\$ 228,971.47</u>	<u>\$ (261,092.12)</u>	<u>\$ 34,484.36</u>	<u>\$ 68,940.01</u>	<u>\$ (41,725.91)</u>	<u>\$ 46,336.40</u>	<u>\$ 160,543.97</u>
Debt Service as a Percentage of Noncapital Expenditures	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: District Records

**BOARD OF EDUCATION  
SOARING HEIGHTS CHARTER SCHOOL**

**General Fund - Other Local Revenue by Source  
Last Ten Fiscal Years  
(modified accrual basis of accounting)  
Unaudited**

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>	<u>Interest</u>	<u>Prior Year Refunds</u>	<u>Local Projects</u>	<u>Miscellaneous</u>
2004	\$ 6,128.63	\$ 686.87	\$ -	\$ -	\$ 5,441.76
2005	18,339.97	4,369.07	4,297.72		9,673.18
2006	17,444.38	11,510.39	5,933.99		
2007	23,573.37	11,014.45	10,926.09		1,632.83
2008	12,379.25	8,249.15	4,130.10		
2009	6,110.83	1,879.67	4,231.16		
2010	9,328.01	8.70	3,492.11		5,827.20
2011	1,873.67	74.69			1,798.98
2012	18,306.54	5.66	18,300.88		
2013	4,210.50	16.63	4,193.87		

**Source: District Records**

BOARD OF EDUCATION  
SOARING HEIGHTS CHARTER SCHOOL

Assessed Value and Estimated Actual Value of Taxable Property,  
Last Ten Fiscal Years  
Unaudited

Fiscal Year Ended December 31,	Assessed Value					Total Assessed Value		Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate
	Vacant Land	Residential	Farm	Commercial	Industrial	Apartment					
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		

NOT APPLICABLE TO CHARTER SCHOOLS

**BOARD OF EDUCATION  
SOARING HEIGHTS CHARTER SCHOOL**

**Direct and Overlapping Property Tax Rates  
Last Ten Fiscal Years  
(rate per \$100 of assessed value)  
Unaudited**

Fiscal Year Ended December 31,	<u>School District Direct Rate</u>		<u>Overlapping Rates</u>		Total Direct and Overlapping Tax Rate
	<u>Basic Rate</u>	<u>Total Direct School Tax Rate</u>	<u>Municipality</u>	<u>County</u>	

**NOT APPLICABLE TO CHARTER SCHOOLS**

**BOARD OF EDUCATION  
SOARING HEIGHTS CHARTER SCHOOL**

**Principal Property Taxpayers  
Current Year and Nine Years Ago  
Unaudited**

Fiscal Year Ended June 30,	2013		2004	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value

**NOT APPLICABLE TO CHARTER SCHOOLS**

Total	\$ -		\$ -	
-------	------	--	------	--

BOARD OF EDUCATION  
SOARING HEIGHTS CHARTER SCHOOL

Property Tax Levies and Collections  
Last Ten Fiscal Years  
Unaudited

Fiscal Year Ended December 31,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy

NOT APPLICABLE TO CHARTER SCHOOLS

**BOARD OF EDUCATION  
SOARING HEIGHTS CHARTER SCHOOL**

**Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years  
Unaudited**

Fiscal Year Ended June 30,	Governmental Activities					Total District	Percentage of Personal Income	Per Capita
	General		Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)			
	Obligation	Bonds						

**NOT APPLICABLE TO CHARTER SCHOOLS**

**BOARD OF EDUCATION  
SOARING HEIGHTS CHARTER SCHOOL**

**Ratios of Net General Bonded Debt Outstanding  
Last Ten Fiscal Years  
Unaudited**

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		

NOT APPLICABLE TO CHARTER SCHOOLS

**BOARD OF EDUCATION  
SOARING HEIGHTS CHARTER SCHOOL**

**Direct and Overlapping Governmental Activities Debt  
As of December 31, 2012  
Unaudited**

**NOT APPLICABLE TO CHARTER SCHOOLS**

**BOARD OF EDUCATION  
SOARING HEIGHTS CHARTER SCHOOL**

**Legal Debt Margin Information  
Last Ten Fiscal Years  
Unaudited**

**NOT APPLICABLE TO CHARTER SCHOOLS**

**BOARD OF EDUCATION  
SOARING HEIGHTS CHARTER SCHOOL**

**Demographic and Economic Statistics  
Last Ten Fiscal Years  
Unaudited**

<u>Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
-------------	-------------------	----------------------------	-------------------------------------------	------------------------------

**NOT APPLICABLE TO CHARTER SCHOOLS**

BOARD OF EDUCATION  
SOARING HEIGHTS CHARTER SCHOOL

Principal Employers  
Current Year and Nine Years Ago  
Unaudited

Employer	2013			2004		
	Employees	Rank [Optional]	Percentage of Total Municipal Employment	Employees	Rank [Optional]	Percentage of Total Municipal Employment

NOT APPLICABLE

BOARD OF EDUCATION  
SOARING HEIGHTS CHARTER SCHOOL

Full-time Equivalent District Employees by Function/Program  
Last Ten Fiscal Years  
Unaudited

<u>Function/Program</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
-------------------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------

NOT AVAILABLE

BOARD OF EDUCATION  
SOARING HEIGHTS CHARTER SCHOOL

Operating Statistics  
Last Ten Fiscal Years  
Unaudited

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil/Teacher Ratio			Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School	Senior High School				

NOT AVAILABLE

BOARD OF EDUCATION  
SOARING HEIGHTS CHARTER SCHOOL

School Building Information  
Last Ten Fiscal Years  
Unaudited

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------

District Building

NOT APPLICABLE

**BOARD OF EDUCATION  
SOARING HEIGHTS CHARTER SCHOOL**  
  
**General Fund**  
**Schedule of Required Maintenance for School Facilities**  
**Last Ten Fiscal Years**  
**Unaudited**

Undistributed Expenditures--Required  
Maintenance for School Facilities  
11-000-261-xxx

<u>*School Facility</u>	<u>Pending Projects</u> <u>(w/DOE Project #)</u>	Gross Building Area (SF)
-------------------------	-----------------------------------------------------	--------------------------------

NOT APPLICABLE TO CHARTER SCHOOLS

\*School facilities as defined under EFCFA.  
(N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3)

Source: District records

**BOARD OF EDUCATION  
SOARING HEIGHTS CHARTER SCHOOL**

**Insurance Schedule  
As of June 30, 2013  
Unaudited**

	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
School Package Policy - N.J. School Boards		
Association Insurance Group		
Property - Blanket Building & Contents	\$ 11,350,337,221.00	\$ 1,000.00
Comprehensive General Liability	16,000,000.00	
Comprehensive Automotive Liability	16,000,000.00	
Comprehensive		1,000.00
Collision		1,000.00
Computer & Scheduled Equipment	37,000.00	1,000.00
Boiler & Machinery	100,000,000.00	1,000.00
School Boards Legal Liability - N.J. School Boards	16,000,000.00	5,000.00
Workers Compensation - N.J. School Boards Assoc.	5,000,000.00	
Employers Liability Insurance		
Bodily Injury by Accident	2,000,000.00	each accident
Bodily Injury by Disease	2,000,000.00	each employee
Bodily Injury by Disease	2,000,000.00	policy limit
Flood Insurance - N.J. School Boards		
Buildings	50,000,000.00	500,000.00
Contents	1,000,000.00	500,000.00
Faithful Performance Bond	50,000.00	500.00

**Source: District Records**

**BOARD OF EDUCATION  
SOARING HEIGHTS CHARTER SCHOOL**

**Charter School Performance Framework  
Financial Performance  
Fiscal Ratios**

	2011 Audit	2012 Audit	2013 Audit	Source
Cash	364,155.88	740,162.69	838,567.81	Audit: Exhibit A-1
Current Assets	211,617.44	15,730.49	29,459.28	Audit: Exhibit A-1
Total Assets	2,806,977.22	2,945,527.17	3,013,461.79	Audit: Exhibit A-1
Current Liabilities	1,829.00	-	6,106.14	Audit: Exhibit A-1
Total Liabilities	1,829.00	-	6,106.14	Audit: Exhibit A-1
Net Position	2,805,148.22	2,945,527.17	3,007,355.65	Audit: Exhibit A-1
Total Revenue	2,670,923.84	2,898,850.49	2,958,631.72	Audit: Exhibit A-2
Total Expenses	2,414,264.27	2,758,471.54	2,896,803.24	Audit: Exhibit A-2
Change in Net Position	256,659.57	140,378.95	61,828.48	Audit: Exhibit A-2
Depreciation Expense	93,385.26	94,901.03	96,545.73	Financial Statements/Audit Workpapers

Final Average Daily Enrollment	216	220	224	DOE Enrollment Reports
March 30th Budgeted Enrollment	220	224	229	Charter School Budget

RATIOS ANALYSIS...				
Near Term Indicators	2011	2012	2013	3 YR CUM
1a. Current Ratio	115.70	#DIV/0!	4.82	Current Assets/Current Liabilities
1b. Unrestricted Days Cash	55.05	97.94	105.66	Cash/(Total Expenses/365)
1c. Enrollment Variance	98%	98%	98%	Average Daily Enrollment/Budgeted Enrollment
1d.* Default	No	No	No	Audit
Sustainability Indicators				
2a. Total Margin	10%	5%	2%	Change in Net Assets/Total Revenue
2b. Debt to Asset	0.00	0.00	0.00	Total Liabilities/Total Assets
2c.** Cash Flow	109,184.48	376,006.81	98,405.12	Net change in cash flow from prior years
2d. Debt Service Coverage Ratio	N/A	N/A	N/A	(Change in Net Assets+Depreciation+Interest Expense)/(Principal & Interest Payments)

\* Is school in default of loan covenant(s) and/or is delinquent with debt service payments? Yes or No

\*\* 2013 =2013 Cash - 2012 Cash; 2012 =2012 Cash-2011 Cash; 2011 =2011 Cash-2010 Cash

## **SINGLE AUDIT SECTION**



# VM ASSOCIATES, INC.

Vincent M. Montanino, RMA, PSA  
Michael S. Zambito, CPA, RMA  
Antonia Russo, Associate

K-1  
Sheet 1

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
"GOVERNMENT AUDITING STANDARDS"

The Honorable President  
Members of the Board of Education  
Soaring Heights Charter School  
County of Hudson, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and in compliance with audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Soaring Heights Charter School as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements as listed in the table of contents and have issued our report thereon dated November 13, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Soaring Heights Charter School's internal control over financial reporting as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Soaring Heights Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Soaring Heights Charter School's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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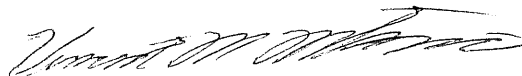
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

#### Compliance and Other Matters

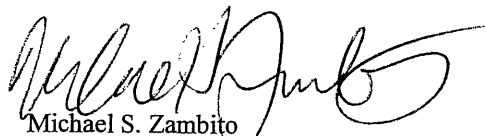
As part of obtaining reasonable assurance about whether the Soaring Heights Charter School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

#### Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards and the Division of Finance, Department of Education, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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Registered Municipal Accountant  
License No. CS000495



Michael S. Zambito  
Certified Public Accountant  
License No. 20CC00789500

November 13, 2013



# VM ASSOCIATES, INC.

Vincent M. Montanino, RMA, PSA  
Michael S. Zambito, CPA, RMA  
Antonia Russo, Associate

K-2  
Sheet 1

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE  
PROGRAM: REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
NEW JERSEY OMB CIRCULAR LETTER 04-04

The Honorable President  
Members of the Board of Education  
Soaring Heights Charter School  
County of Hudson, New Jersey

Report on Compliance for Each Major State Program

We have audited the Soaring Heights Charter School's compliance with the types of compliance requirements described in the New Jersey State Aid/Grants Compliance Supplement that could have a direct and material effect on each of its major state programs for the year ended June 30, 2013. The Soaring Heights Charter School's major state programs are identified in the Summary of Auditor's Results Section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to each of its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Soaring Heights Charter School's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; Audits of States, Local Governments, and Non-Profit Organizations; and New Jersey Office of Management and Budget Circular Letter 04-04 Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards and New Jersey's OMB's Circular Letter 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Soaring Heights Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination on the Soaring Heights Charter School's compliance.

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Opinion on Each Major State Program

In our opinion, the Board of Education of the Soaring Heights Charter School, in the County of Hudson, State of New Jersey, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The management of the Soaring Heights Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Soaring Heights Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with NJOMB 04-04, but not for the purpose of expressing an opinion on the effectiveness of the Soaring Heights Charter School's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Soaring Heights Charter School's internal control over compliance.

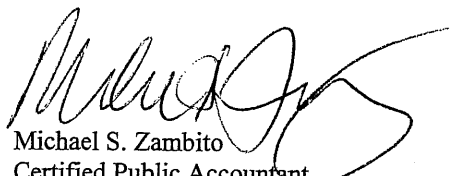
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a state program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results that the testing based on the requirements of NJOMB 04-04. Accordingly, this report is not suitable for any other purpose.



Vincent M. Montanino  
Public School Accountant  
License No. CS000495



Michael S. Zambito  
Certified Public Accountant  
License No. 20CC00789500

November 13, 2013

**BOARD OF EDUCATION**  
**SOARING HEIGHTS CHARTER SCHOOL**  
**Schedule of Expenditures of Federal Awards, Schedule A**  
**For the Fiscal Year Ended June 30, 2013**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA or Grant Number	Grant Period	Award Amount	Balance July 1, 2012	Adjustments	Cash Received	BUDGETARY EXPENDITURES			Repayment of Prior Years' Balances	Balance June 30, 2013	
							Disbursements	Accounts Payable	Encumbrances		Accounts Receivable	Deferred Revenue
U.S. Department of Education Passed - Through State Department of Education:												
N.C.L.B. Title I	84.010A	9/1/12-8/31/13	\$ 112,000.00	\$ -	\$ -	\$ 112,000.00	\$ 111,655.69	\$ -	\$ -	\$ -	\$ (0.00)	\$ 344.31
N.C.L.B. Title IIA	84.367A	9/1/12-8/31/13	11,787.00			11,787.00	11,787.00					
I.D.E.A. Part B, Basic	84.027A	9/1/12-8/31/13	49,260.00			38,444.00	46,444.00				(12,816.00)	2,816.00
Total U.S. Department of Education						160,211.00	169,886.69	-	-	-	(12,816.00)	3,160.31
Total Federal Financial Assistance						\$ 160,211.00	\$ 169,886.69	\$ -	\$ -	\$ -	\$ (12,816.00)	\$ 3,160.31

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

**BOARD OF EDUCATION**  
**SOARING HEIGHTS CHARTER SCHOOL**  
**Schedule of Expenditures of State Financial Assistance, Schedule B**  
**For the Fiscal Year Ended June 30, 2013**

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance July 1, 2012	Adjustments	Cash Received	BUDGETARY EXPENDITURES			Total	Repayment of Prior Years' Balances	Balance June 30, 2013	
							Disbursements	Accounts Payable	Encumbrances			Accounts Receivable	Deferred Revenue
State Department of Education:													
General Funds:													
Equalization Aid	13-495-034-5120-078	7/1/12-6/30/13	\$ 1,765,670.00	\$ -	\$ -	\$ 1,765,670.00	\$ 1,765,670.00	\$ -	\$ -	\$ 1,765,670.00	\$ -	\$ -	\$ -
Special Education Aid	13-495-034-5120-089	7/1/12-6/30/13	64,104.00			64,104.00	64,104.00			64,104.00			
Security Aid	13-495-034-5120-084	7/1/12-6/30/13	78,229.00			78,229.00	78,229.00			78,229.00			
Reimbursed TPAF Social Security Contribution	13-495-034-5095-002	7/1/12-6/30/13	80,248.36			63,605.08	80,248.36			80,248.36			
Reimbursed TPAF Social Security Contribution	12-495-034-5095-002	7/1/11-6/30/12	80,714.95	(15,730.49)		15,730.49						(16,643.28)	
On-Behalf TPAF PRM Contributions	13-495-034-5095-001	7/1/12-6/30/13	77,701.00			77,701.00	77,701.00			77,701.00			
On-Behalf TPAF Pension Contributions	13-495-034-5095-001	7/1/12-6/30/13	68,716.00			68,716.00	68,716.00			68,716.00			
Total General Funds				(15,730.49)	-	2,133,755.57	2,134,668.36	-	-	2,134,668.36	-	(16,643.28)	-
Total All Funds				\$ (15,730.49)	\$ -	\$ 2,133,755.57	\$ 2,134,668.36	\$ -	\$ -	\$ 2,134,668.36	\$ -	\$ (16,643.28)	\$ -

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

BOARD OF EDUCATION  
SOARING HEIGHTS CHARTER SCHOOL

NOTES TO SCHEDULES OF EXPENDITURES OF AWARDS AND FINANCIAL ASSISTANCE  
YEAR ENDED JUNE 30, 2013

Note 1: General

The accompanying schedules of expenditures of awards and financial assistance present the activity of all federal and state programs of the Soaring Heights Charter School Board of Education. The Board of Education is defined in Note I:B. to the Board's basic financial statements. All federal awards and state financial assistance received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

Note 2: Basis of Accounting

The accompanying schedules of expenditures of awards and financial assistance are presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These basis of accounting are described in Notes I:E and Note I:F. to the Board's basic financial statements. The information in the schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 3: Relationship to Basic Financial Statements

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the one or more deferred June state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes payments are not recognized until the subsequent year due to the state deferral and recording of one or more June state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the one or more June state aid payment in the current budget year, consistent with N.J.S.A. 18A:22-44.2.

BOARD OF EDUCATION  
SOARING HEIGHTS CHARTER SCHOOL

NOTES TO SCHEDULES OF EXPENDITURES OF AWARDS AND FINANCIAL ASSISTANCE  
YEAR ENDED JUNE 30, 2013  
(CONCLUDED)

Note 3: Relationship to Basic Financial Statements (Continued)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$0.00 in the general fund and \$0.00 in the special revenue fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the GAAP basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$	\$2,134,668.36	\$2,134,668.36
Special Revenue Fund	<u>169,866.69</u>	<u>                    </u>	<u>169,866.69</u>
Total Awards and Financial Assistance	<u>\$169,866.69</u>	<u>\$2,134,668.36</u>	<u>\$2,304,535.05</u>

Note 4: Relationship to Federal and State Financial Reports

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

Note 5: Other

The amounts reported as TPAF Pension and Post Retirement Medical Contributions represents the amounts paid by the state on behalf of the district for the year ended June 30, 2013. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2013.

BOARD OF EDUCATION  
SOARING HEIGHTS CHARTER SCHOOL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013

Part I – Summary of Auditor's Results

Financial Statement Section

- A) Type of auditor's report issued: Unqualified
- B) Internal Control over financial reporting:
- 1) Material weakness(es) identified? \_\_\_\_\_yes      X no
- 2) Were significant deficiencies identified  
that were not considered to be material  
weaknesses? \_\_\_\_\_yes      X no
- C) Noncompliance material to basic  
financial statements noted? \_\_\_\_\_yes      X no

Federal Awards Section

Not Applicable

State Financial Assistance Section

- D) Dollar threshold used to determine Type A  
Programs \$300,000.00
- E) Auditee qualified as low-risk auditee? \_\_\_\_\_yes X no \_\_\_\_\_n/a
- F) Type of auditor's report on compliance for  
major programs: Unqualified
- G) Internal Control over compliance:
- 1) Material weakness(es) identified? \_\_\_\_\_yes      X no
- 2) Were significant deficiencies identified  
that were not considered to be  
material weaknesses? \_\_\_\_\_yes      X no
- H) Any audit findings disclosed that are required  
To be reported in accordance with N.J. OMB  
Circular 04-04? \_\_\_\_\_yes      X no
- I) Identification of major programs:

GMIS Number(s)

Name of State Program

13-495-034-5120-078

Equalization Aid

BOARD OF EDUCATION  
SOARING HEIGHTS CHARTER SCHOOL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013  
(CONTINUED)

Part 2 – Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with Chapter 5.18 of Government Auditing Standards.

Not Applicable

BOARD OF EDUCATION  
SOARING HEIGHTS CHARTER SCHOOL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013  
(CONTINUED)

Part 3 – Schedule of Federal Awards and State Financial Assistance Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 04-04.

Not Applicable

BOARD OF EDUCATION  
SOARING HEIGHTS CHARTER SCHOOL

SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS  
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT  
FOR THE YEAR ENDED JUNE 30, 2013

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of Government Auditing Standards, U.S. OMB Circular A-133 (section .315 (a) (b)) and New Jersey OMB's Circular 04-04.

STATUS OF PRIOR YEAR FINDINGS

Not Applicable